

MONTANA TREASURE STATE ENDOWMENT PROGRAM APPLICATION GUIDELINES

MONTANA DEPARTMENT OF COMMERCE

Mark Simonich, Director

Newell B. Anderson, Administrator
Community Development Division

Dave Cole, Operations Manager
Community Development Division

Jim Edgcomb, Manager
Treasure State Endowment Program (TSEP)

Nancy Guccione and Kim Hayes, TSEP Program Specialists

Ellen Hanpa, TSEP Program Assistant

2003

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
INTRODUCTION.....	3
SUMMARY.....	5
I. <u>ELIGIBLE APPLICANTS</u>	6
II. <u>ELIGIBLE PROJECTS</u>	9
III. <u>FINANCIAL ASSISTANCE AWARDED BY THE LEGISLATURE</u> (Grants and Loans for Construction Projects).....	11
IV. <u>PRELIMINARY ENGINEERING GRANTS</u>	24
V. <u>EMERGENCY GRANTS</u>	27

APPENDICES

APPENDIX A:

Format Instructions for TSEP Construction Applications.....	29
--	-----------

APPENDIX B:

TSEP-Specific Information Required for Completing the Uniform Application Form.	33
---	-----------

APPENDIX C:

TSEP-Specific Information Required for Completing the Uniform Preliminary Engineering Report.....	38
--	-----------

APPENDIX D:

TSEP Application Review Process.....	45
---	-----------

APPENDIX E:

Target Rate Analysis	63
-----------------------------------	-----------

APPENDIX F:

TSEP Preliminary Engineering Grant Application Form.....	70
---	-----------

APPENDIX G:

Emergency Grant Review Form.....	74
---	-----------

APPENDIX H:

Conducting an Income Survey.....	77
---	-----------

APPENDIX I:

Components of a Business Plan	87
--	-----------

APPENDIX J:

Suggestions for Writing Successful TSEP Applications.....	90
--	-----------

APPENDIX K:

TSEP Application Flowchart.....	92
--	-----------

APPENDIX L:

Sample Resolution to Authorize Submission of TSEP Application.....	93
---	-----------

INTRODUCTION

The Treasure State Endowment Program (TSEP) is a state-funded program created in 1992 as a result of Legislative Referendum 110. It is designed to help solve serious health and safety problems and assist communities with the financing of the public facilities projects. The program helps local governments with constructing or upgrading drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges. The Montana Department of Commerce (MDOC) encourages local officials, staff and engineers to consider whether TSEP funds could help finance a local infrastructure project.

Approximately \$16 million will be available for TSEP construction grants awarded through the 2005 Legislature. May 7, 2004 is the deadline for submitting construction applications. Applications for preliminary engineering and emergency grants will be accepted at any time, until there are no more TSEP funds available.

These application guidelines explain how cities, towns, counties, special purpose districts, and tribal governments can apply for TSEP financial assistance. **The application form for construction projects, and the preliminary engineering report and environmental requirements are found in a separate publication, the *Uniform Application for Montana Public Facility Projects, Fourth Edition***, which is available from MDOC upon request. Both of these publications are also available on computer disk upon request and through the TSEP web page located at http://commerce.state.mt.us/CDD/CDD_TSEP.html. Both of these publications are formatted in Microsoft Word 97 (6.0) for Windows.

If you have any questions regarding the *TSEP Application Guidelines*, or the application form, preliminary engineering report outline and environmental checklist that are found in the *Uniform Application for Montana Public Facility Projects, Fourth Edition*, or other aspects of the Treasure State Endowment Program, contact:

Montana Department of Commerce
Treasure State Endowment Program
301 South Park Avenue
PO Box 200523
Helena, MT 59620-0523

Telephone: (406) 841-2770
FAX: (406) 841-2771
E- mail address: jedgcomb@state.mt.us

For more information about TSEP visit the program's web page located at:
http://commerce.state.mt.us/CDD/CDD_TSEP.html

<p>The Department of Commerce does not discriminate on the basis of disability in admission to, access to, or operations of its program, services, or activities. Individuals, who need aids or services for effective communications or other disability-related accommodations in the programs and services</p>

offered, are invited to make their needs and preferences known. Please provide as much advance notice as possible for requests.

There are a variety of resources available to assist applicants, including several technical guides that are available by contacting the TSEP staff. Some of the publications local officials may find useful as they are working on public facility problems, include:

- ❑ *Planning and Financing Community Water and Sewer Systems in Montana*
- ❑ *County Bridge and Road Capital Improvement Planning and Financing Manual* (also useful to towns and cities for street improvements)
- ❑ *Building It Right – A Public Facilities Construction Administration Manual*
- ❑ *Financial Assistance Programs Funding Water, Wastewater and Solid Waste Projects in Montana* (this is a one page summary of the various funding programs)
- ❑ *Directory of Grant Writing Consultants and Grant Administrators*

The following two publications are no longer generally published. A new publication on capital improvements planning is in the process of being created by the MDOC staff.

- ❑ *A Handbook: Capital Facilities Scheduling and Financing*
- ❑ *The Mini Capital Improvements Plan for Small Towns*

Applicants can obtain census information, along with their target rate, using the Internet by going to: <http://commerce.state.mt.us/CDD/search.asp>. If the applicant does not have access to the Internet, contact the TSEP staff for the information.

The Montana Department of Commerce's Census and Economic Information Center (CEIC) also provides a variety of useful information and maps. Contact the CEIC at 301 South Park Avenue, Helena, Montana 59620; telephone 841-2740; or the CEIC web page located at <http://ceic.commerce.state.mt.us>. A wide variety of CEIC data, including demographic and socioeconomic data for the State of Montana and its 56 counties, can be accessed via the CEIC web page. Maps identifying the census districts within each county are also available. Microfiche copies are free, but there is a charge for paper copies.

Maps of Montana's counties, cities and towns, and some unincorporated communities, can be ordered from the Transportation Planning Division, Montana Department of Transportation, 2701 Prospect Avenue, Helena, Montana 59620 (Telephone 444-6119). Information about the maps that are available from MDT can be accessed via the MDT web page located at <http://www.mdt.state.mt.us/planning/public.htm>.

Maps of designated flood plains may be ordered from the Montana Department of Natural Resources and Conservation, Water Operations Bureau, 1424 9th Avenue, Helena, Montana 59620 (Telephone 444-6654). A wide variety of water resource-related information can also be accessed via the DNRC web page located at <http://www.dnrc.state.mt.us/wrd/home.htm>.

Maps depicting a variety of natural resource related information including topographic maps, may also be ordered from the Montana State Library, Natural Resources Information System (NRIS), 1515 East Sixth Avenue, Helena, MT 59620 (Telephone 444-2987). The NRIS data can also be accessed via the NRIS web page located at <http://www.nris.state.mt.us/index.html>.

SUMMARY

1. Cities, towns, counties, consolidated governments, county or multi-county water, sewer, or solid waste districts, and tribal governments are eligible to apply for TSEP assistance. *(See Section I for details about eligible applicants.)*
2. Projects eligible for TSEP assistance include drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges. *(See Section II for details about the different types of eligible projects.)*
3. Eligible applicants can apply for funds for construction projects (grants and loans), preliminary engineering grants, and grants for emergency situations.
 - ❑ TSEP construction grants and loans are awarded by the Legislature, so applications are only accepted by MDOC once every two years. Only one TSEP construction application may be submitted per biennial funding cycle. **The deadline for submitting TSEP construction applications to be considered by the 2005 Legislature is May 7, 2004.** *(See Section III for details about construction grants and loans.)* Current estimates are that approximately \$16 million will be available for TSEP construction grants for the 2005 biennium.
 - ❑ Eligible applicants may also apply for TSEP preliminary engineering grants. The TSEP preliminary engineering grants are awarded by MDOC. Applications will be accepted at any time, until there are no more TSEP funds available. The Legislature appropriated \$425,000 for the 2005 biennium. *(See Section IV for details about preliminary engineering grants.)*
 - ❑ A limited amount of funds (\$100,000) is also available during the 2005 biennium for TSEP emergency grants. The TSEP emergency grants are also awarded by MDOC. *(See Section V for details about emergency grants.)*
4. There are various administrative procedures and requirements that go along with receiving TSEP funds. Applicants should review the applicable type of financial assistance to find out about some of the more important procedures and requirements. The *TSEP Project Administration Manual*, which contains all of the administrative procedures and requirements related to being awarded TSEP funds, can be viewed by going to the TSEP web page located at http://commerce.state.mt.us/CDD/CDD_TSEP.html.
5. Since 1992, when TSEP was created, the Legislature has awarded approximately \$60 million in TSEP construction grants to 160 projects. For more information about the TSEP projects previously approved by the Legislature visit the TSEP web page.

SECTION I. ELIGIBLE APPLICANTS

- A. Eligible applicants for TSEP assistance include any:
1. Incorporated city or town,
 2. County,
 3. Consolidated government,
 4. County or multi-county water, sewer, or solid waste district, or
 5. Tribal government (includes any federally recognized Indian tribe within the State of Montana).

Non-public entities are not eligible for TSEP assistance. Under Article V, Section 11 of the Montana Constitution, the Legislature is prohibited from making any appropriation for religious, charitable, industrial, educational, or benevolent purposes to any private individual, private association, or private corporation not under the control of the State.

- B. Water or sewer users associations are not eligible to apply for TSEP funds, because they are not a public entity. In order to apply for TSEP funds an association would first have to be legally created as a county or multi-county water and sewer, or solid waste district (pursuant to sections 7-13-22 and 23, MCA) before submitting a TSEP application.
- C. Rural special improvement districts (RSID) created in order to build a water or sewer system, and subsequently managed and operated by a county, have often encountered problems in assuring the effective long-term maintenance and operation of public facilities. While an RSID can be a practical mechanism for financing a project, TSEP does not consider this type of arrangement to be a good mechanism for managing and operating a water or wastewater system. As a result, a system funded by an RSID, and currently managed and operated by a county, is also required to first be legally created as a county or multi-county water and sewer, or solid waste district (pursuant to sections 7-13-22 and 23, MCA) before submitting a TSEP construction application.

Sometimes rural areas outside of an incorporated municipality, or a county water and sewer district, want to be served by an existing system, but do not want, or may not be allowed, to be annexed. However, if an incorporated municipality, or a county water and sewer district allows these adjacent areas to be connected to its system an RSID is typically utilized to fund the project so that only those properties benefited by the improvements are paying for the project. Since a RSID is not eligible to apply for funding, the county, or the municipality or the county water and sewer district which would extend service to them with an existing system, are allowed to apply for TSEP construction funds for the improvements, without the adjacent area being required to

form as a county water and sewer district. An interlocal agreement would be required between all of the parties involved to assure the long-term operation and maintenance of the proposed improvements.

Under the interlocal agreement, the incorporated municipality, or county water and sewer district, to which the proposed improvements would be connected, must have the authority to charge user fees sufficient to properly operate and maintain the proposed improvements over the duration of the agreement. The duration of the interlocal agreement must be for a period of time no less than the expected life of the improvements. The interlocal agreement would only be allowed to be voided in one of the following situations:

1. if the adjacent area being served, along with the infrastructure improvements, were to be annexed into the incorporated municipality or county water and sewer district,
2. if the ownership of, and responsibility for, the proposed improvements were to be permanently transferred to the incorporated municipality or county water and sewer district, or
3. if the area being served by the improvements were to form as a county water and sewer district, and it constructed any remaining portions of the system needed in order to allow it to be a stand-alone system.

A project as described above would require, at the time of applying for TSEP funds, a memorandum of understanding signed by all of the parties involved that they understand the scope of the project and are in basic agreement as to what is being proposed. The memorandum should summarize the scope of the project, how the system would be managed and operated, and how the improvements would be funded in the short and long-term. Prior to TSEP providing any funds that might be awarded, a signed interlocal agreement would be required.

However, any proposed improvements to stand-alone systems, or the construction of a new system, that are entirely operated and maintained by the county through an RSID must be legally created as a county water and sewer district before an application may be submitted.

- D. Counties are allowed to apply for a TSEP preliminary engineering grant in order to study problems related to subdivisions or areas of the county that have not yet formed as a county water and sewer district. However, a county water and sewer district would need to be legally created for the area being studied prior to applying for a construction grant.
- E. Cities and towns are allowed to apply for a TSEP preliminary engineering grant in order to study problems related to subdivisions or areas outside of the city's boundaries in order to study the area for possible annexation or to decide whether to provide services to the area.

- F. A specific geographic area, such as a neighborhood, within an eligible applicant's jurisdiction may be proposed for a project. Typically, a special improvement district (SID) would be utilized for funding the project so that those properties benefited by the improvements are paying for the project. The target rate, which is the minimum user rate that TSEP expects residences to be paying after the project, would be based on households in just the project area and not the entire jurisdiction of the applicant.
- G. Projects may be undertaken jointly by two or more eligible applicants in order to provide the most appropriate and cost-effective solution to an infrastructure problem. One of the applicants must be designated as the lead applicant and accept full responsibility for administrative and financial management during the term of the project.

Applicants must have the management capacity to undertake and satisfactorily complete the project and assure proper management of TSEP funds. In addition, TSEP recipients must also have the capacity to assure the long-term operation and management of the system. The TSEP recipient must be in compliance with the auditing and reporting requirements and demonstrate to the Department that it has established a financial accounting system that can properly account for the grant funds. Funds will not be provided to TSEP recipients until an acceptable financial management system has been established.

SECTION II. ELIGIBLE PROJECTS

A. ELIGIBLE PROJECTS

Types of projects eligible for TSEP assistance include:

1. Drinking water systems
2. Wastewater treatment systems
3. Sanitary sewer or storm sewer systems
4. Solid waste disposal and separation systems, including site acquisition, preparation, or monitoring
5. Bridges

Bridges that are proposed to be replaced with culvert type structures are eligible for TSEP assistance. However, a culvert that is proposed to be replaced with another culvert is only eligible for TSEP assistance if the culvert to be replaced functions in the same manner as a bridge by being the primary support for the weight of a vehicle versus the sub-grade of the road.

In order to determine whether the culvert to be replaced functions in the same manner as a bridge, the span length and the depth of fill in relationship to the span or diameter of the culvert will be analyzed. In general, the span length (diameter for round pipe) should be no less than eight (8) feet, and the depth of fill carried by a structure should be no less than one quarter of its total span length (diameter).

The kinds of projects eligible under TSEP are community-type systems. Individual, on-site facilities, such as wells and septic tanks that serve one only one or two residences are not eligible for TSEP funds. On-site septic tanks that are a component of an approved community type of wastewater collection system may be considered eligible.

Typically, only one type of eligible public facility is submitted as a TSEP project. However, a TSEP project may address the needs of more than one of the above types of eligible public facilities if the proposed activities:

1. Are clearly complementary and in support of one other, and are reasonable and appropriate to conduct in a coordinated manner;
2. Will result in greater efficiencies and cost savings for design and construction; and
3. Will enhance the overall impact of the project in providing a long-term solution to

the identified public facility problems.

For example, a community needs to make improvements to both their water and wastewater systems. There are serious deficiencies with the water system and the system also needs to be expanded. The improvements to the water system will require that the wastewater system have a greater capacity to treat the additional effluent. In addition, streets will need to be torn up to access both water and sewer lines. In this case it makes good sense to make improvements to both systems at the same time.

Ranking of Projects Involving Multiple Facilities or Multiple Bridges

Applicants considering a project involving multiple facilities, should ensure that the public facilities under consideration have:

- a. a comparable need for the proposed improvements; and
- b. the proposed technical solutions are equally appropriate and would achieve a reasonable impact on the needs for each public facility.

If these two criteria are not met, each public facility involved in the project may be ranked individually on any particular statutory priority. If it is appropriate to rank each public facility individually, the score will be determined by prorating the scores assigned to the statutory priority based on the percent of the total project cost that each public facility represents.

As a result, a water system that does not have any serious problems when combined with a wastewater system, with very serious problems, could make the application as a whole less competitive than if the application was only for the wastewater system project. Similarly, if one bridge, which does not have serious problems, is combined with another bridge, with very serious problems, it could make the application as a whole less competitive.

SECTION III. FINANCIAL ASSISTANCE AWARDED BY THE LEGISLATURE

A. TYPES OF FINANCIAL ASSISTANCE

There are four types of TSEP financial assistance that the Legislature is authorized to appropriate funds for:

- ☐ matching grants for construction projects;
- ☐ loans for construction projects at a subsidized interest rate;
- ☐ loans for preliminary engineering studies; and
- ☐ annual debt service subsidies for construction projects.

Even though there are four separate types of financial assistance that the Legislature can award, local governments have only utilized "matching grants." Only this one type of financial assistance has been used because:

- ☐ The other sources of federal and state grant funds to help make local public facility projects affordable are extremely limited.
- ☐ There are several other low-interest federal and state loan programs already available that have better rates and terms. In addition, conventional financing is available at competitive interest rates through the private bond market.
- ☐ TSEP loans for preliminary engineering studies have proven to be impractical because of the inherent delays involved in receiving funding through the legislative process. In order to comply with mandatory regulatory deadlines, most communities cannot wait up to two years or longer for funding. Also, the Montana Board of Investment's INTERCAP Program has developed a similar deferred repayment loan program for preliminary engineering studies, which is available on a continuous basis to local governments. Finally, the 1999 Legislature statutory appropriated funds for TSEP grants for preliminary engineering.
- ☐ Debt service subsidies do not appear cost-effective and raise serious technical, financial, and legal issues, based on a study commissioned by MDOC.

1. Matching Grants For Construction Projects

TSEP matching grants are intended to make construction projects more affordable for local residents by lowering projected user charges or special assessments to reasonable levels. **Requests for matching grants are limited to a maximum of \$500,000 per grant application regardless of the number of public facilities involved in the project.** Two or more eligible applicants may apply independently for funding a project that may be coordinated as part of a larger project, such as a small regional type of water system. In this case, each applicant would be eligible to apply for the maximum grant of \$500,000. The amount that will

ultimately be recommended will be based on a financial analysis as described in Appendix D (TSEP Application Review Process).

A matching grant request may not exceed \$7,500 per benefited household. In order to be recommended for more than \$7,500 per benefited household, the applicant must meet all three of the following tests:

- ☐ a very serious deficiency exists in a community facility or service, or the community lacks the facility or service entirely; and adverse consequences clearly attributable to the deficiency have occurred, or are likely to occur in the near term (scores at a level four or five on Statutory Priority #1); and it has been determined by MDOC that the proposed project will correct the deficiencies; and
- ☐ upon completion of the proposed water, wastewater project, storm drain, or solid waste user rates would be at least 1½ times the community's "target rate" (based upon the projected monthly rates with TSEP assistance), or in the case of bridge projects, the county is currently levying for bridges an amount at least two times the statewide median of .04% of the county's MHI (.08% of the county's MHI); and
- ☐ other sources of funding are not reasonably available.

For water, wastewater and solid waste projects, other funds are not considered reasonably available if the applicant is either not eligible for funding from a typical source of funding, is not likely to receive funding, or the applicant has applied for, but not been selected for funding.

For bridge projects, other funds are not considered reasonably available if:

- ☐ the county's total residential property tax burden is at least 2.78% of the county's MHI,
- ☐ or if less than 2.78%, the county has approved a General Obligation bond to help fund the proposed project, and the equivalent residential annual assessment when added to the existing residential tax burden is at least equal to 2.78% of the county's MHI.

Applicants that do not meet these three tests will either be recommended for a reduced grant amount or may not be recommended for any grant if it appears that the project is no longer financially feasible without the full amount that was requested.

Based on discussions with the Legislature's Joint Long-Range Planning Subcommittee in 2001, the Department may recommend an amount greater than what is requested by applicants, including exceeding the \$500,000 grant ceiling, in order to ensure that applicants with serious and urgent health and safety problems are not unduly burdened by unreasonably high user rates.

In addition, the Department may recommend increased funding for projects approved by previous legislatures in order to move projects forward that have had difficulty

continued on following page

obtaining matching funds and that otherwise may not get constructed. No application will be necessary and the Department will determine which projects, if any, will be recommended for additional funding based on its knowledge of the project.

A recommendation for increased funding under either of the two situations would be made only after taking into account the total amount of funds available for grants, the number of applicants and the seriousness of the problems to be resolved. The recommendation for awarding additional funds would be limited to projects that can meet the same tests required to exceed the \$7,500 limit per household as discussed above. The Department would only recommend enough additional funding that would be sufficient to bring the projected user rates down so that they are no lower than 150% of target rate. The recommendation would also include a condition that the remaining amount necessary to complete the project would be required to be loan funds or local reserves. The amount recommended by the Department may exceed \$500,000.

a. Types of Matching Grants

(1) Standard Grants

Applicants are generally eligible to request a grant that is no greater than 50 percent of the eligible project expenses.

(2) Hardship Grants

In cases of extreme financial hardship and where very serious deficiencies exist that would affect the public's health or safety, an applicant may be eligible to receive a Hardship Grant from 51 percent up to 75 percent of the eligible project expenses in order to help reduce user costs to a more affordable level. However, the total amount requested cannot exceed the maximum TSEP grant of \$500,000. Applicants will only be recommended to receive a TSEP Hardship Grant if all three tests are met as described above for the \$7,500 limit per household.

b. Eligible and Ineligible Match

In order to be eligible for a TSEP matching grant, matching funds must be provided by the applicant to assist in financing the total project cost.

(1) Eligible Matching Funds

"Matching Funds" are public or private funds to be provided by the applicant to directly support the costs of eligible project activities. Eligible types of matching funds include:

- (a) local general funds or other cash;
- (b) proceeds from the sale of general obligation, revenue, special assessment or other bonds;
- (c) entitlement or formula-based federal or state funds such as federal highway funds or payments in lieu of taxes;
- (d) loan or grant funds from a state or federal program (including TSEP loans);
- (e) funds expended for engineering studies, reports, and plans, or other reasonable expenses expended for the preparation of the application, directly related to the proposed project during the period 24 months prior to the TSEP application deadline, i.e., May 7, 2002 to May 7, 2004;
- (f) funds expended after the TSEP application deadline, May 7, 2004, for project management, final engineering design, and other reasonable expenses necessary to prepare the project as proposed in the TSEP application for the construction phase;
- (g) the value of land or materials provided by the applicant, if appraised within a two-year period preceding the application deadline. The appraisal must be:
 - (i) an impartially written statement that adequately describes the land or materials, and states an opinion of defined value as of a specific date;
 - (ii) supported by an analysis of relevant market information; and
 - (iii) prepared by a qualified appraiser independent from the applicant.
- (h) the value of labor performed by the applicant's employees on the proposed project, after the TSEP project has been approved for funding and a TSEP contract has been signed, as long as the employee is paid at his or her standard hourly rate of pay and the time worked is adequately documented; and
- (i) the value of machinery used in the process of constructing the project that is owned (or leased) and operated by the applicant. The value of the use of the machinery will be determined using the Federal Emergency Management Agency (FEMA) equipment rate

schedules.

(2) Ineligible Matching Funds

Land, materials or services that cannot accurately and fairly be assigned a uniform monetary value are ineligible as matching funds.

Funds expended on a project before it is approved for funding by the Legislature and Governor are ineligible as matching funds, except as noted above.

c. Eligible and Ineligible Reimbursable Project Expenses

(1) Project Expenses Eligible for Reimbursement

Project expenses eligible to be reimbursed by TSEP grant funds include any reasonable and authorized expense directly related to the eligible infrastructure project incurred after a contract has been signed between the grantee and MDOC, such as:

- (a) The planning, engineering and architectural design, construction, erection, acquisition, site or other improvements, alteration, modernization, reconstruction, improvement, or expansion of the project.
- (b) The administration of the TSEP contract and management of the project, and financial expenses, such as interest expense and bond issuance costs attributable to the project. (Generally, a maximum of ten percent of a TSEP grant may be used for administrative costs.) Up to 50% of the cost to purchase computers and computer software, which are utilized to administer the TSEP contract and manage the project, or to operate the system, are eligible administrative expenses.
- (c) Connection charges (hook-up fees and connection costs), water meters, and meter installation.
- (d) Individual Special Improvement District (SID) or Rural Improvement District (RID) property assessments.

(2) Project Expenses Ineligible for Reimbursement

Project expenses that are not eligible for reimbursement with TSEP funds include:

- (a) Direct financial assistance for religious, charitable, industrial, educational, or benevolent purposes to any private individual, private association, or private corporation not under the control of the state.
- (b) Annual operation and maintenance.
- (c) Purchase of non-permanent furnishings and fixtures or equipment that is not permanently installed in or solely dedicated to the operation of the project.
- (d) Refinancing existing debt, except when necessary in conjunction with the financing of a new TSEP project.
- (e) **Any unauthorized cost incurred prior to the effective date of a signed TSEP contract between the grantee and MDOC.** Reasonable expenses associated with attending TSEP project administration training will be eligible for reimbursement, even if incurred prior to the effective date of a contract.
- (f) **Project expenses that have been incurred in violation of State laws and regulations.**

Applicants should be cautious if planning to start a project before it has been approved by the Legislature and Governor, and the grantee has a signed contract with MDOC. TSEP grantees are required to adhere to various laws and requirements of the State and the program. Failure to do so could result in TSEP funds not being eligible for reimbursing project activities such as engineering, construction, etc. Applicants that plan to commence a project before it has been approved for funding should discuss their plans with the TSEP staff to ensure that they have sufficient matching funds as required by the program.

2. Construction Loans at a Subsidized Interest Rate

Loans for construction projects are available through TSEP. However, applicants in need of a construction loan should first investigate other loan sources such as the State Revolving Fund loan programs through the Department of Environmental Quality, or USDA's loan and grant program through the Rural Development/Rural Utilities Service. These programs offer more competitive rates and terms for water and wastewater projects.

However, counties may still be interested in a TSEP construction loan for bridge projects since there are no other loan programs specifically designed to fund bridges. A TSEP loan may be requested in conjunction with a TSEP grant to provide the required matching funds.

The Renewable Resource Grant and Loan (RRGL) Program at the Montana Department of

Natural Resources and Conservation (DNRC) administers the TSEP construction loans. The TSEP loan terms and interest rates are identical to those offered by the RRGL program. **Applicants interested in a TSEP construction loan should refer to the current application guidelines of the RRGL program and discuss the potential loan with Anna Miller, Financial Advisor, Conservation and Resource Development Division, DNRC, at 444-6689.**

3. Loans For Preliminary Engineering Studies

Loans to fund preliminary engineering studies are offered by TSEP. Repayment of TSEP loans for planning and preliminary engineering would be calculated on the basis of five percent interest per year. Loans must be repaid in full when construction financing is committed and released for a public facilities project or within five years of the signing of the loan agreement, whichever is first. According to the TSEP enabling statute, "the applicant shall repay the loans whether or not the applicant succeeds in obtaining financing for the full project." Failure to repay a loan would disqualify the loan recipient as an applicant for future TSEP assistance.

However, TSEP grants are now available to fund preliminary engineering studies, without the delay associated with the legislative process. (See Section IV, Preliminary Engineering Grants for more information.)

4. Annual Debt Service Subsidies

The TSEP enabling statute allows financial assistance to be provided as a long-term debt service subsidy. In concept, an annual debt service subsidy would provide TSEP funds to pay a fixed percentage of the community's annual debt service payment on a bond or loan over the life of the loan or bonding period. In effect, a debt service subsidy would be a grant made on an installment basis for a fixed period of time.

However, based on a study commissioned by MDOC in 1995, it was concluded that debt service subsidies are not a practical funding mechanism. They would require the use of complicated, and probably expensive, methods to establish the subsidy mechanism, to structure subsidies as part of local government financial arrangements, and to administer subsidy payments. It also determined that one-time, up-front grants provide greater financial benefit to local government utility customers than do debt service subsidies. Therefore, it appears that the annual debt service subsidy methodology is not a realistic or cost-effective method of financial assistance for local government infrastructure projects. (Copies of the 1995 study are available upon request from MDOC.)

B. SUBMISSION OF AN APPLICATION

To apply for any of the funding approved by the Legislature, applicants must:

1. Complete the application form found in the *Uniform Application for Montana Public Facility Projects, Fourth Edition*,

2. Prepare a preliminary engineering report that complies with the requirements also found in the *Uniform Application for Montana Public Facility Projects, Fourth Edition*,
3. Prepare a response to the seven TSEP Statutory review criteria discussed in Appendix D, and
4. Comply with other instructions as discussed in these application guidelines and specifically those noted in Appendix A.

Eligible applicants are limited to one application each funding cycle. A single application may be used to request both a grant and a loan. ***Applications are due no later than May 7, 2004.***

C. APPLICATION REVIEW PROCESS

MDOC staff will review TSEP construction applications for both technical and financial feasibility, and the extent to which the proposed project relates to each of the seven statutory criteria. To facilitate MDOC's review, applications should be organized according to the format outlined in Appendix A, TSEP Application Format Instructions. Additional information on completing the application form and the preliminary engineering report is provided in Appendix B and C. Suggestions for writing a successful TSEP construction application are provided in Appendix F.

Under the TSEP statute, and policies established by the Governor and Legislature since 1993, the review of TSEP applications by MDOC is a two-step process. In the first step of the review process, applications are ranked based upon the extent to which the proposed project relates to each of the seven statutory criteria. In the second step of the review process, the form and amount of TSEP funding to be recommended is determined based upon an analysis of the applicant's proposed level of local financial participation. *(For more detailed information on the process, see Appendix D, Application Review Process; Appendix E, Target Rate Analysis; and Appendix G, TSEP Application Flowchart, for a graphic summary of the process a TSEP application goes through to be funded.)*

MDOC may provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review. MDOC may take additional information, based upon MDOC's or other agency's knowledge about a proposed project or particular community problems, into account in the scoring of an application. **The applicant may not submit any additional information after the application deadline unless requested by MDOC staff in order to clarify information already presented in the application.**

During the review, MDOC staff may contact the applicant to review the application and to discuss any concerns or questions or to request additional information or documentation. Site visits may be made to the proposed project area for the purpose of verifying or further evaluating information contained in the application. Once the technical review of the preliminary engineering report has been completed, MDOC will provide the applicant with the draft engineering review report. The applicant will be given approximately one week to review the report and provide comments to MDOC regarding its accuracy. Applicants will be able to point out information in the preliminary engineering report that did not appear to be addressed, or to help clarify an issue if it appears the review engineer has misinterpreted

information provided in the preliminary engineering report. **However, comments can only be made in light of information already presented in the TSEP application. No new information may be submitted by the applicant at this point.**

Statutory Priorities #1 and #3 are scored by the MDOC review engineers and the TSEP ranking team. At a separate scoring session Statutory Priorities #4 through #7 are scored by the TSEP ranking team. The score for Statutory Priority #2 is determined through the financial analysis. The scores for all of the Statutory Priorities are added together, which results in the ranking of the applications. Once the applications are ranked, a recommendation on the funding of projects is submitted to the MDOC Director.

The MDOC Director will submit to the Governor a list containing the projects recommended for funding and the amount of financial assistance for each. The Governor will review MDOC's recommendations and submit a list of recommended projects and form of financial assistance to the Legislature.

The Legislature first assigns the proposed TSEP appropriation legislation to the appropriate subcommittee, which conducts hearings on the proposed projects. Typically this has been the Joint Long-Range Planning Subcommittee. The subcommittee makes its recommendations to the House of Representatives. Once passed by the House of Representatives, the bill moves to the Senate for its consideration. Once the Legislature passes the bill, it is sent to the Governor for his or her consideration. Funds for projects approved by the Governor do not become available until July 1, 2005.

D. ADMINISTRATIVE PROCEDURES AND REQUIREMENTS

This part describes a few of the more significant administrative procedures and requirements related to construction grants that are awarded by the Legislature. Applicants are encouraged to read these administrative procedures and requirements prior to submitting an application. The *TSEP Project Administration Manual*, which contains all of the administrative requirements related to being awarded TSEP funds, can be viewed by going to the TSEP web page.

Important - Applicants should especially take note of Part E, which discusses the "Capital Improvements Plan" requirements.

1. TSEP Contract

If the Legislature approves a TSEP project, the TSEP recipient will enter into a contract with MDOC. The contract will include:

- the amount of TSEP funds and form of financial assistance to be provided;
- a detailed budget for the TSEP funds and any other funds to be involved in the project;
- the scope of work to be completed and the schedule for implementation of project activities; and,

- the general and special terms and conditions associated with the project. **In particular, the TSEP recipient must agree to comply with all state laws and regulations and administrative directives and procedures established by MDOC, unless superceded by federal law.**

2. Disbursement of TSEP Funds

TSEP matching grant funds will normally be disbursed once start-up requirements have been completed and the grant recipient has been notified that TSEP funds are available for the project. Start-up requirements include:

- a. the contract is fully executed between MDOC and the TSEP recipient,
- b. an acceptable management plan has been approved by MDOC,
- c. a firm commitment has been provided for all non-TSEP financing to be involved in the project,
- d. The TSEP recipient must be in compliance with the auditing and reporting requirements provided for in 2-7-503, MCA, and demonstrate to the Department that it has established a financial accounting system that can properly account for the grant funds. Tribal governments must comply with auditing and reporting requirements provided for in OMB Circular A-133 instead of 2-7-503, MCA, and
- e. the TSEP recipient has complied with any special conditions established by the Legislature or MDOC.

TSEP funds accumulate gradually as interest is earned on the Treasure State Endowment Fund over the two-year biennium period, the total amount of funds appropriated for projects are not received until the end of the biennium. As a result, sufficient funds are not always available to fund projects when local officials are ready to proceed. **However, TSEP funds are typically available as soon as TSEP recipients complete their start-up requirements.** Funds are made available to those projects that have completed the start-up requirements at the beginning of each month. A "Notice to Proceed" letter will be sent notifying the local government that start-up requirements have been satisfied, TSEP funds are available, and the TSEP recipient can begin to draw down TSEP funds.

However, if the level of TSEP revenues used to pay project expenses becomes too low, MDOC may require projects that have met start-up requirements to wait until there are sufficient revenues again. In that case, MDOC will always start at the top of the priority ranking list as approved by the Legislature in order to make available TSEP funds to the highest ranked projects that are ready to proceed.

3. Cost Savings

In the event that construction bids received for a TSEP project are less than the projected costs,

MDOC will establish a final project budget at the bid price with the remainder placed in the contingency line item of the budget. MDOC may, at its discretion, recover any used TSEP funds. However, TSEP may, and will typically, authorize the construction of additional, directly related project components to enhance the overall project, up to the original amount authorized by the Legislature.

4. Capital Improvements Plan

A “Capital Improvements Plan” (CIP) is a document that helps communities identify their public facility needs, establish project priorities, and create a long-range program for the scheduling and funding of construction or repair projects. The CIP should be adopted in conjunction with the local government’s annual budget process and used to prioritize budgetary needs. The adoption of a CIP is simply good business for local governments. It can help your community anticipate upcoming capital expenditures and more effectively manage construction, maintenance, and repair costs related to public facilities.

An adopted CIP is not a prerequisite for applying for TSEP funding, although an applicant will typically receive more points during the ranking process if it has done so. However, **applicants that are awarded TSEP funds and that do not have a CIP, will be required as part of the project to develop an abbreviated CIP that covers at least a five year period.** At a minimum, the abbreviated CIP must encompass the following facilities:

- For municipalities, the CIP would need to cover both the water and wastewater systems, and city streets. If the municipality is lacking either a water or wastewater system, then only the one system, in addition to the streets, will be addressed in the plan.
- For water and sewer districts, the CIP would need to cover both the water and wastewater systems. If the district is lacking either a water or wastewater system, an abbreviated-CIP is not required, since that information for the one system should be addressed in the preliminary engineering report (PER). If all of the system’s deficiencies are not to be addressed in the project, the PER should include a plan of action to resolve the remaining deficiencies.
- For solid waste projects, the CIP is not required, since that information should be addressed in the PER. If all of the system’s deficiencies are not to be addressed in the project, the PER should include a plan of action to resolve the remaining deficiencies.
- For bridge projects, the CIP would need to include all of the county’s roads and bridges.

A CIP is not required when a local government has responsibility for only one system, and the minimum required information, as discussed below, is provided in the PER. However, if the

applicant does not provide that information in the PER, the applicant will be required to do so as part of the funded project.

The CIP should contain specific information in order to be useful and effective. **In order to meet the TSEP requirements, the CIP must include the following information at a minimum:**

- a. **An inventory of existing facilities and their general condition** (This information should be general and will typically be obtained from the persons responsible for managing and operating the system. It is not expected that a detailed engineering analysis be performed to obtain this information);
- b. **Population projections and their impact on existing facilities;**
- c. **Identification and prioritization of needs/projects;**
- d. **Indication of what year projects are scheduled to be accomplished;**
- e. **Estimated cost for each of the projects;**
- f. **Identification of the amount and potential sources of funding for each of the projects; and**
- g. **Identification of the timing and any other specific requirements associated with obtaining the funding for the projects.**

The requirement to complete a CIP is a result of the Legislature's Long-Range Planning Subcommittee's expressed desire to encourage more effective long-term planning for the construction, maintenance, and repairs of local public facility projects presented to the Subcommittee for funding assistance. Effective planning for the financing of the construction, maintenance, and repair of your community's public infrastructure is extremely important in light of the limited financial resources that are available for assistance.

TSEP funds may be used to pay for the preparation of the CIP as part of the project and should be included in the project budget. For additional information about how to create a CIP, MDOC has published handbooks that describe the process.

5. Progress Reporting

TSEP recipients will be required to submit quarterly narrative progress and financial reports to MDOC and, upon project completion, a final report to MDOC.

6. Project Monitoring

Periodically, MDOC staff will make monitoring visits to assure that the funds are being used properly and that the projects are being administered in conformance with state law and

regulations.

7. Public Disclosure

With the exception of any proprietary plan or financial information relating to a private business, all TSEP records will be available for public review with reasonable notice during regular office hours. Proprietary information regarding a private business will not, except as required by law, be provided to any third person, firm, corporation, or public entity without the express written consent of the business.

8. Timely Project Completion

The Legislature's Joint Long-Range Planning Subcommittee has been especially concerned about grant recipients not having their matching funds already committed for the project and being able to complete the "Project Start Up Conditions" in a timely manner. As a result, the Legislature reviews the status of the project in order to decide whether TSEP funds previously awarded should be withdrawn. The status of all the projects is provided to the Legislature, and **applicants that are not completing their project in a timely manner could potentially have TSEP funds withdrawn.**

9. Changes to an Approved Project

In accordance with the Legislature's policy as expressed in the legislation that authorizes TSEP projects, **the Department cannot approve amendments to the scope of work or budget affecting priority activities or improvements that would materially alter the intent and circumstances under which the application was originally ranked by the Department and approved by the Governor and Legislature.** Significant changes to the scope of work or budget could jeopardize the continued funding of the project using TSEP funds if the Department determines that the proposed amendments could "materially alter the intent and circumstances" under which the project was originally approved. Local governments that have already been provided with a "Notice to Proceed" and request a modification that significantly affects the scope of work or budget may have their TSEP funding temporarily suspended. The suspension would remain in effect until the next session of the Legislature when the proposed modification would be presented to the Legislature for its approval.

SECTION IV.

PRELIMINARY ENGINEERING GRANTS

The 1999 Legislature amended the TSEP statute to allow the Department to award grants for preliminary engineering work. These grants can be awarded by the Department at any time. Beginning on July 1, 2003 and ending June 30, 2005, \$425,000 is statutorily appropriated for preliminary engineering grants. The Department of Natural Resources and Conservation also has grant funds for preliminary engineering.

TSEP Preliminary engineering grants can only be used for the preparation of plans, studies, analyses, or research necessary for the preparation of a preliminary engineering report (PER) as described in the most current *Uniform Application for Montana Public Facility Projects*. In the preparation of a PER related to bridge projects, TSEP funds can be used to assess the condition of all bridges within the applicant's jurisdiction. The PER for bridges is described in Appendix C of these guidelines. **The maximum amount that will be awarded for a TSEP preliminary engineering grant is \$15,000.**

A. MATCH REQUIREMENTS

Local governments must provide matching funds on a one-to-one basis. The local match may come from any source except from other state grants. Any source of grant funds can be used for preliminary engineering costs in excess of \$30,000. The entire match for the project must be firmly committed before TSEP funds will be awarded. Costs that have been incurred or obligated prior to executing a grant contract with MDOC are not considered eligible as match except for special exceptions that may be approved by MDOC.

In documenting a financial commitment, the applicant must:

- ☐ Specify the amount and source of the funds.
- ☐ For funds committed by a local government, provide a resolution by the governing body that specifies the amount of the commitment.
- ☐ For funds or resources from a state or federal agency, provide a letter of commitment from the agency or organization involved.

In cases of demonstrated hardship, MDOC may reduce the match requirement, or allow grants from other local, state, or federal agencies to count as match. Applicants may request a “hardship grant,” but must adequately demonstrate that:

1. The preliminary engineering study is directly related to the existence of a serious deficiency and adverse consequences clearly attributable to the deficiency have occurred, or are likely to occur (the deficiencies must be serious enough that they would likely be scored at a level three or higher in accordance with the TSEP scoring level definitions); and
2. Higher local financial participation is not feasible or appropriate. For preliminary engineering studies related to water, wastewater, or solid waste systems, monthly user

rates (existing or that would result from a loan required to provide the match) are 200% of the “target rate.” For preliminary engineering studies related to bridges, the current amount levied for bridges must be no less than .04% of the median household income for the applicant’s jurisdiction and there are other extenuating circumstances as demonstrated by the applicant.

The Montana Board of Investments offers deferred repayment loans for preliminary engineering studies, which can provide the required match for a TSEP preliminary engineering grant. The INTERCAP program staff can approve these loans and have the funds to you in as little as one month from the time you apply. For more information about the program, contact:

INTERCAP Program
Montana Board of Investments
Montana Department of Commerce
2401 Colonial Drive, 3rd Floor
PO Box 200126
Helena MT 59620-0126
(406) 444-0001

B. ELIGIBLE AND INELIGIBLE EXPENSES

1. Eligible Expenses

Project expenses eligible to be reimbursed by TSEP funds include any reasonable expenses incurred in the preparation of plans, studies, analyses, or research in the preparation of a PER as described in the most current *Uniform Application for Montana Public Facility Projects*, or for bridges as described in these guidelines. TSEP funds can also be used for the preparation of the Uniform Environmental Checklist as presented in the most current edition of the *Uniform Application for Montana Public Facility Projects*.

In the preparation of a PER related to bridge projects, TSEP funds can be used to assess the condition of all bridges within the applicant’s jurisdiction. However, TSEP funds can only be used to do a complete assessment of a county’s entire bridge system once every four years. However, specific bridges that are to be studied in detail as part of the PER, or bridges that have been determined to be a high priority or that are being more closely monitored because of rapid deterioration, may be allowed to be re-evaluated more frequently. The applicant must provide a justification for needing to assess a bridge more frequently than once every four years that is not to be included in the PER.

Note that payment terms will typically provide for up to 50% of the TSEP grant amount to be paid upon submittal of a draft of the preliminary engineering report acceptable to MDOC; the remaining funds will be paid after the completed report has been approved by MDOC or its representative.

2. Ineligible Expenses

Costs that have been incurred prior to executing a grant contract with MDOC are ineligible for reimbursement with TSEP preliminary engineering grant funds. Costs that have been incurred or obligated prior to executing a grant contract with MDOC are not considered eligible as match except for special exceptions that may be approved by MDOC. Preliminary engineering costs will not be reimbursed if the procurement of the engineer was not in conformance with state law.

C. SUBMITTING AN APPLICATION

Eligible applicants may apply for one or more TSEP preliminary engineering grants, but only one application may be submitted at a time. The current preliminary engineering project must be completed and the TSEP contract formally closed out before submitting an additional preliminary engineering grant application. The application process is noncompetitive and "open-cycle". There is no application deadline, and applications are accepted on a first-come first-serve basis. See Appendix F for a copy of the preliminary engineering grant application. Two copies of the application must be submitted.

D. APPLICATION REVIEW PROCESS

The application process is noncompetitive and "open-cycle". There is no application deadline, and applications are accepted on a first-come, first-serve basis. MDOC will attempt to process applications and award funds within two weeks after submittal of an application acceptable to MDOC. Longer review periods may be required if numerous applications are received within the same time period. Applications will be processed in the order that they are received. See Appendix F for a copy of the preliminary engineering grant application form.

SECTION V. EMERGENCY GRANTS

The 2003 Legislature appropriated \$100,000 of the TSEP funds to provide grants for emergency projects. The emergency grants can be awarded by the Department at any time between, and during, legislative sessions to remedy conditions that if allowed to continue until legislative approval could be obtained would endanger the public health or safety and expose the applicant to substantial financial risk. An "emergency" means the imminent threat or actual occurrence of a disaster causing immediate peril to life, property, or the environment, which with timely action can be averted or minimized.

The department will not make an emergency grant if it determines that through the implementation of reasonable management practices, the applicant can forestall the risks to health or safety until legislative approval can be obtained. Emergency grant funds cannot be used for preventive maintenance or to provide a backup to an existing system component. All of the proposed expenditures must be essential to resolving the emergency and necessary for completing the proposed emergency project. The proposed emergency project must be critical to the proper operation of a public facility system.

Generally, emergency grants are limited to \$30,000 per project, but special exceptions may be approved by MDOC. The applicant must demonstrate that it has contributed as much financial and other resources as possible towards completing the proposed emergency project, and has exhausted all other means of funding the emergency project. The use of TSEP funds, and expenses that will be eligible for reimbursement, will be determined on a case-by-case basis.

Since the Department of Natural Resources and Conservation (DNRC) also provides funding for emergency projects and has the engineering expertise to evaluate an emergency situation, applicants that have a water, wastewater or solid waste related emergency are requested to first contact DNRC (Bob Fischer, Conservation and Resource Development Division, 444-6688). DNRC will contact MDOC if TSEP funds are needed. Applicants that have a bridge related emergency should contact TSEP directly (841-2770).

In order to determine whether to fund a request for emergency grant funds, MDOC will work with the DNRC, the Department of Environmental Quality, and the Department of Transportation, depending on the type of project. Upon being contacted by an applicant or DNRC, the Emergency Grant Review Form will be completed by the TSEP staff to determine if an emergency project should be funded (see Appendix G).

APPENDICES

APPENDIX A

FORMAT INSTRUCTIONS FOR TSEP CONSTRUCTION APPLICATIONS

1. In order to make the process of applying to infrastructure financing programs simpler and more efficient for communities, various state and federal agencies have worked together to develop common application forms and requirements for grants and loans related to construction projects. **The uniform application form, preliminary engineering report (PER) outline, and environmental checklist, are found the *Uniform Application for Montana Public Facility Projects, Fourth Edition*.** The application materials in that publication can be used to apply to TSEP and the Community Development Block Grant (CDBG) program (both administered by MDOC), the Department of Natural Resources and Conservation Renewable Resource Grant and Loan program, the Department of Environmental Quality State Revolving Loan Fund programs (drinking water and wastewater), and the U.S. Department of Agriculture Rural Development/Rural Utilities Service program.
2. In addition to the application form and preliminary engineering report discussed above, **communities submitting an application to TSEP for a construction project must also provide a narrative response to the seven TSEP Statutory Priorities** as described in these application guidelines. Various other documents may also be required as noted in these application guidelines.
3. Applications should be as concise as possible, however, the applicant may use as many pages as necessary to adequately explain the proposed project. Only information pertaining directly to the proposal and the TSEP Statutory Priorities should be included.
4. Applications should be submitted on standard 8½ x 11-inch paper, with maps and large sheets folded to an 8½ x 11-inch size.
5. The application should be submitted under a single cover. However, if supporting documents such as the preliminary engineering report are voluminous, they may be submitted as a separate document.
6. Pages should be numbered consecutively.
7. Applications should be bound along the left margin in some manner. Tabs on the right side of the applications should be used to mark sections and appendices.
8. Supporting documents should be placed in an appendix. Supporting documents include items such as public hearing notices, maps, local government resolutions, survey forms, financial statements, letters of commitment, etc. Appendices should be listed in the table of contents.

9. **The TSEP application should be organized according to the following format:**

a. **Table of Contents**

b. **Uniform Application Form**

Each applicant must complete the *Uniform Application for Montana Public Facility Projects*. See the *Uniform Application for Montana Public Facility Projects, Fourth Edition* for the form and instructions. Also see Appendix B for TSEP-specific information related to the completion of the *Uniform Application*.

c. **Response to TSEP Statutory Priorities**

Each applicant must submit a narrative as part of its application that describes the relationship of the proposed TSEP project to each of the seven TSEP statutory priorities, unless noted otherwise. See Appendix D, TSEP Application Review Process, for a list of the seven TSEP Statutory Priorities.

d. **Preliminary Engineering Report**

Each applicant must provide a copy of a PER. See the *Uniform Application for Montana Public Facility Projects, Fourth Edition* for instructions regarding the content of the PER. The PER requirements for bridge projects can be found in Appendix C of these guidelines. Also see Appendix C for other TSEP-specific information related to the completion of the PER. Each applicant must also submit a completed *Uniform Environmental Checklist* as an attachment to the PER. The checklist can be found in the *Uniform Application for Montana Public Facility Projects, Fourth Edition*.

e. **The following should be included as Appendices in the application:**

- (1) **Resolution to Authorize Application** - Each applicant must provide a resolution to authorize the submittal of the TSEP application. See Appendix L for a model Resolution to Authorize Application. **If the project involves multiple jurisdictions, a memorandum of understanding (MOU) signed by all of the parties involved must also be submitted.** The MOU must state that all parties involved understand the scope of the project and are in basic agreement as to what is being proposed. The memorandum should summarize the scope of the project, how the system would be managed and operated, and how the improvements would be funded in the short and long-term.
- (2) **Documentation Related to the Formation of the District** - County water, sewer, and solid waste districts must submit documentation substantiating that the District has been legally created. In order to eliminate any problems verifying that the District has been legally created, the District should submit a copy of the county resolution creating the District and a certificate of incorporation from the Secretary of State.

- (3) **Maps** - Each applicant must include legible maps showing the boundaries of the proposed project area and the locations of all proposed project activities.

The map of the applicant's political jurisdiction must identify:

- the boundaries of the entire jurisdiction,
- the project's location within the jurisdiction, and
- if applicable, the service area of the project.

The map of the proposed project area must identify:

- the boundaries of the project area,
- the locations of all proposed activities, and
- the boundaries of any designated 100-year floodplain.

- (4) **Implementation Schedule** - Each applicant must submit an implementation schedule which describes the overall schedule for project completion, including engineering and construction. A blank project implementation schedule is provided at the end of this appendix that applicants can complete for their project.

- (5) **Other Supporting Documentation** - Each applicant should identify the source of supporting data for any statements made in the application, and provide documentation when applicable. Copies of plans such as a capital improvements plan should be submitted if not lengthy. At a minimum, the applicant should include portions of plans in order to identify the document and key information. Business plans should be included for economic development related projects. If local research was conducted to support the application, the survey methodology must be described and a copy of the survey form with a composite summary of all responses submitted with the application. The applicant should retain all original documentation.

10. **Five copies** of the TSEP application and attachments must be delivered or postmarked on or before **May 7, 2004**. **In addition, submit your responses to the seven TSEP Statutory Priorities also on a computer diskette if possible.** Please indicate the computer software used to produce the information on the diskette.

11. The TSEP application and attachments must be submitted to:

**Montana Department of Commerce
Treasure State Endowment Program
301 South Park Avenue
PO Box 200523
Helena, MT 59620-0523**

QUARTERLY PROJECT IMPLEMENTATION SCHEDULE

TASK	QUARTERS, 2005				QUARTERS, 2004			
	1st J F M	2nd A M J	3rd J A S	4th O N D	1st J F M	2nd A M J	3rd J A S	4th O N D
<u>PROJECT START UP</u>								
Attend Grant Admin. Workshop		x						
Sign TSEP Contract								
Prepare Management Plan								
Establish Project Files								
Submit Signature & Depository Forms								
Submit Budgetary Resolution								
<u>PROJECT DESIGN</u>								
Advertise for & Select Engineer								
Commence Final Design								
Complete Project Design								
Submit Plans to DEQ								
Prepare Bid Documents								
Finalize Acquisition								
<u>ADVERTISEMENT FOR CONST. BID</u>								
Review Contract Requirements								
Public Bid Advertisement								
Open Bids & Examine Proposals								
Request Contr. Debarment Review								
Select Contractor & Award Bid								
Conduct Pre-Const. Conference								
Issue Notice to Proceed to Contractor								
<u>PROJECT CONSTRUCTION</u>								
Begin Construction								
Monitor Engineer & Contractor								
Conduct Labor Compliance Reviews								
Hold Const. Progress Meetings								
Final Inspection								
<u>PROJECT CLOSE OUT</u>								
Submit Final Drawdown								
Determine Audit Requirements								
Project Completion Report								
Submit Conditional Certification								
Submit Final Certification								

APPENDIX B

TSEP-SPECIFIC INFORMATION REQUIRED FOR COMPLETING THE UNIFORM APPLICATION FORM

Each applicant must provide a completed copy of the *Uniform Application Form for Montana Public Facility Projects* in the TSEP construction application. It is important to carefully complete the application, and in particular the financial information section, since the information provided in the form will be used to score the TSEP application on TSEP statutory priorities #2 (Financial Need) and #5 (Obtains Funds From Other Sources). This information will also be used in the financial analysis which is used in making a recommendation on the form and amount of funds, if any, to be awarded to each applicant.

Completion of Section C - 2. Proposed Funding Sources

TSEP applicants must request a specific type and amount of TSEP financial assistance. Applicants must provide matching funds if they are applying for TSEP matching grants.

The applicant should describe the availability or commitment of all other resources that are to be used to fund the proposed TSEP project. Applicants requesting a TSEP grant need to document that the proposed funding for the project is viable and can be assembled in a reasonable amount of time. The degree to which non-TSEP resources are committed to the project may affect the number of points received in the scoring of the proposed project. Applicants must demonstrate that a reasonable amount of local funds (either reserves or loans) are proposed to help finance the project. The applicant should attempt to obtain and provide documentation from a public funding source that the applicant is eligible and likely to receive funding.

The form and amount of TSEP assistance ultimately recommended to the Legislature may differ from that originally requested by the applicant based on the review of the application by MDOC. MDOC will not recommend TSEP funding for projects that it determines to be financially or technically infeasible or not cost-effective.

Completion of Section C - 4. Project Budget Form

Generally, a maximum of ten percent of a TSEP grant may be used for administrative costs. However, administrative costs typically average five to seven percent of the total cost of the project. Some administrative expenses are essentially fixed and are not proportionate to the total cost of a project. Communities considering relatively small requests (under \$100,000) may find that the ten percent allowed may not provide a sufficient budget to cover all administrative costs. A community considering a relatively small grant request should consider whether the proposed project would result in questionably high administrative costs relative to the actual project cost. In these circumstances, applicants are encouraged to contact the TSEP staff to discuss their proposed project prior to submittal of the application to determine the appropriate administrative cost and percentage.

Under no circumstances are costs that have been incurred prior to the effective date of a TSEP contract (such as fees for preparing an application, community surveys or needs assessments, engineering, or the costs associated with construction activities) eligible for reimbursement. However, reasonable expenses associated with attending TSEP project administration training will be eligible for reimbursement, even if incurred prior to the effective date of a contract.

TSEP applicants should include in their budget, a line item for the cost of preparing a five year Capital Improvements Plan (CIP), if they do not already have an adopted CIP at the time of the application. If an applicant does not already have an adopted CIP, one will be required as part of the contract if TSEP funding is received. (See page 21 for additional information regarding the TSEP CIP requirement.)

Completion of Section E - System Information

® ® ® ® ***Important information specifically for bridge applicants*** ↪ ↪ ↪ ↪

Bridge applicants should not complete Section E - System Information on the form provided in the *Uniform Application Form for Montana Public Facility Projects*. Instead, **bridge applicants should complete the questions on the following pages**, and attach these pages to the *Uniform Application Form for Montana Public Facility Projects* in place of the existing Section E - System Information.

SECTION E - SYSTEM INFORMATION REQUIRED FOR BRIDGE APPLICATIONS ONLY

(Answers to questions can be completed on a separate sheet and attached to this form)

1. Please provide information about the sources of revenue used to fund your county's bridge budget this fiscal year.

Source	Current Budget Year
Bridge Mill Levy	
General Fund or All Purpose Levy	
Fund Carryover	
Payment in lieu of taxes (PILT)	
Forest Receipts	
Video Gaming	
Motor Vehicle Tax	
State Gas Tax	
Oil and Gas Production Tax	
Grants (please specify below)	
Other (please specify below)	

Explanations: _____

2. What funds (non-property tax sources) does the county receive? Please provide information for the current year

Source	Current Budget Year
PILT	
Forest Receipts	
Video Gaming	
Motor Vehicle Tax	
State Gas Tax	
Oil and Gas Production Tax	
Grants (please specify below)	
Other (please specify below)	

Explanations: _____

6. Is the county currently levying the maximum number of bridge mills as allowed under 7-14-2502, MCA and with respect to the provisions of 15-10-420, MCA (as per Senate Bill 184, passed by the 1999 Montana Legislature)? If not, please explain.
7. Is the county currently levying at least as many bridge mills as in the previous budget year? If not, please explain.
8. Is the county currently levying the maximum amount of property taxes allowable under 15-10-420, MCA (as per Senate Bill 184, passed by the 1999 Montana Legislature)? If not, please explain.
9. Has the county established a depreciation reserve fund for bridges as allowed under 7-14-2506, MCA? If yes, please explain.
10. Has the county sought a voter approved mill levy, special improvement district, general bond

issue, or revenue bond to finance bridge repair and/or construction projects? If yes, please explain.

11. Has the county worked with other entities (private landowners, state or federal agencies, local businesses, etc.) to develop cooperative strategies for addressing bridge needs? If yes, please explain. In addition, if any of these cooperative strategies are being used to help finance this proposed TSEP bridge project, please explain.
12. Has the county inventoried and rated all of its bridges under 20 feet in length to determine their condition and needed maintenance and/or improvements? If yes, please attach a copy of the inventory.
13. If the county inventoried and rated all of its bridges under 20 feet, what is the total estimated cost for the repair or replacement of those bridges that have been identified as being structurally deficient or functionally obsolescent? \$_____
14. Has the county prepared a county-wide capital improvements plan for all of the county's bridges which sets priorities, describes the estimated cost for improvements and maintenance, proposes a schedule for implementation, and projects how each bridge project would be financed? If yes, please attach a copy of the plan and note where the proposed TSEP bridge project fits into that plan.
15. Describe any locally funded bridge repair or replacement projects within the past three years? (For each project, include a brief description of what was accomplished, the total cost, and the amount and source(s) of funding.)

APPENDIX C

TSEP-SPECIFIC INFORMATION REQUIRED FOR COMPLETING THE UNIFORM PRELIMINARY ENGINEERING REPORT

The applicant must provide a copy of a Preliminary Engineering Report (PER) in, or attached to, the TSEP application. The report must be sufficiently detailed to describe the scope of the problem to be addressed as well as the components and estimated costs of the proposed improvements or facility. In the evaluation of the condition of the existing system, and subsequently in the description of alternatives considered to resolve the identified problems, the report should list and prioritize all of the problems associated with the condition of the system. **See the *Uniform Application for Montana Public Facility Projects, Fourth Edition* for an outline of the information required in the PER.** Applicants with a bridge project should read the information in the box on the next page.

Statutory Priorities #1 and #3 will be scored based upon the information contained in the applicant's PER. Applicants are only required to address those priorities if they are providing additional information that they believe has an impact on how the priorities will be scored. Portions of the PER may be incorporated or referenced in the narrative text. If the information required in the PER is not provided, and therefore, the report is deficient, it could result in the application not receiving as many points, and subsequently being ranked lower and possibly not funded.

Water Meters

In response to a suggestion from the Legislative Joint Long-Range Planning Subcommittee that reviews all TSEP projects, MDOC proposed, and the Subcommittee endorsed, a policy on water meters for TSEP drinking water related projects. **It is the policy of TSEP to encourage the use of water meters wherever appropriate.** In many cases, and over the long-term, the installation of water meters, and instituting a fair billing system based on actual use and subsequent maintenance of meters, is one of the most prudent and cost-effective management and conservation steps local governments can take. Generally, the installation of meters also reduces long-term operational costs for a water system.

All local governments requesting TSEP funds for water system improvements, where meters are not currently being utilized, must include in their preliminary engineering report an analysis of the feasibility of the installation of water meters and conversion to a billing system based upon meters and their actual use. The analysis should include projections of the potential water conservation savings due to meter conversion as well as estimated installation and long-term maintenance and operations costs. While local governments are not required to convert to a metering system as a precondition of receiving TSEP funds, local governments choosing not to convert to meters as part of the proposed project are expected to present a sound rationale why conversion is not feasible, appropriate, or cost effective.

When scoring applications, MDOC will take into consideration whether the applicant has proposed to install meters. For those cases where meters are not proposed, the preliminary engineering report must provide a thorough analysis of converting to a water metering system and clearly demonstrate that the use of meters is not feasible, appropriate, or cost effective.

® ® ® **Important Information Specifically For Bridge Applicants** — — —

The Preliminary Engineering Report (PER) outline found in the *Uniform Application for Montana Public Facility Projects, Fourth Edition* does not address the technical analysis that is required for bridge projects. **Applicants submitting a TSEP application for a bridge project must provide the information listed in the PER outline found on the following pages.** The PER outline describes the information that should be included, at a minimum, in the PER. In order to facilitate the review of the PER, adherence to the outline is strongly encouraged. **The PER must be prepared by a professional engineer licensed to practice in Montana.**

It should be noted that the outline is by no means all-inclusive. The engineer should use professional judgment in presenting sufficient information during preparation of the report, taking into account that different types of bridges require varying levels of detail. The engineer should provide thorough documentation wherever possible, using technical supporting information (reports, studies, lab analysis, photographs, etc.).

PRELIMINARY ENGINEERING REPORT OUTLINE FOR BRIDGE PROJECTS

- I. Executive Summary.** *Provide a summary of why the engineering study was undertaken, a brief description of the basic needs or deficiencies of the bridge(s) being studied, a brief description of the alternatives considered, a brief description of the preferred alternative, and the estimated total cost to construct the preferred alternative. Note any other pertinent conclusions.*
- II. Problem Definition.**
 - A. Identify the Area Served by the Bridge(s).**
 1. Location of Bridge(s) – *Show location of the existing bridge(s) using both large and smaller scale maps. Indicate legal and natural boundaries, latitude and longitude, major obstacles, elevations, etc, using maps, photographs, and sketches of the project area. Describe the area served by the bridge(s).*
 2. Physical Characteristics of the Area – *Describe the physical character of the project area including geology, topography, soil types, flow of water, vegetation, etc. that may have an impact on the project costs, performance, etc. or to allow for a more complete understanding of the problem. Provide a copy of the USGS topographic quadrangle, FEMA floodplain map, wetlands inventory map, and USGS soil identification map in instances where maps have been published.*
 3. Users of the Bridge(s) – *Discuss current use and any expected changes in the functional use of the bridge(s):*
 - a. Use of the Structure – *Discuss the type of traffic that uses the bridge(s) and any changes that might impact the use of the bridge(s).*
 - b. Number of Users – *Discuss number of vehicles using bridge(s). Include a traffic analysis. Discuss any specific areas or users dependent on the bridge(s). Include the number of households if discussing a specific area that is dependent on the bridge(s).*
 - c. Growth Areas and Population Trends – *Within the area served by the bridge, discuss any expected changes in population and identify specific areas of concentrated growth. Base population projections on historical records or economic projections, citing recognized sources.*
 - B. Evaluate condition of existing bridge(s).**

1. History – Provide a brief history of the bridge(s), including when constructed and any major improvements.
2. Condition of Bridge(s) – Discuss the following issues:
 - a. *In general terms, discuss the county's overall bridge needs. Ideally, the condition and capacity, and suitability for continued use of all of the county's bridges should be assessed and the county's bridge needs rationally prioritized. Discuss whether the county assessed all of its bridges and whether it has chosen the selected bridge(s) for this project based on a methodology that prioritized its bridge needs. (Note: an assessment of all bridges within the county is not required, but it will likely increase the number of points that the project receives in the TSEP ranking process.)*
 - b. *Specifically describe the present condition and capacity, and suitability for continued use of the bridge(s) included in the proposed project. Include the MDT ratings (NBI Sufficiency Rating, NBI Bridge Appraisal Rating, and NBI Bridge Element Condition Rating) for the bridge(s) in addition to your narrative description explaining the condition of the bridge(s). With the exception of bridge projects that are primarily intended to mitigate floodway issues, the bridge ratings will directly determine how the project is scored on Statutory Priority #1. Bridges that have not been properly rated will receive the minimum score under Statutory Priority #1.*

Bridges that have not been rated by MDT will need to be inspected, evaluated and rated. The rating must be based on the same methodology that MDT uses to rate bridges. Bridge inspection and the rating of bridges must be performed by individuals that have taken and passed the FHWA bridge inspectors training, or by engineers that have sufficient experience in the inspection and engineering of bridges. The name and qualifications of the person inspecting and rating the bridge must be clearly stated.

Applicants that do not believe that the rating provided by MDT is an accurate reflection of a bridge's current condition, are encouraged to work with the MDT's Bridge Bureau to have the bridge rating changed prior to submitting the TSEP application. Applicant's claiming that the MDT rating is not an accurate reflection of the bridge's current condition will need to provide sufficient information documenting why the rating should be changed. Note that new bridge ratings, or documentation submitted contesting an existing rating, may be provided to the MDT's

Bridge Bureau for them to determine the accuracy of the new rating or to determine whether the MDT rating justifies being changed.

C. Describe the need for the project and the problems to be solved. Discuss the following issues:

1. Current and future bridge standards – *Discuss any limitations on use of the bridge(s) as a result of weight limits or other standards.*
2. Safety considerations – *Discuss any safety limitations imposed by the current bridge(s) and how those issues would be resolved. Discuss any changes to approaches.*
3. Alternative routing options – *Discuss the impact of closing the bridge(s) and if alternative routes are available. Include the distances involved if an alternative route is required.*
4. Impact on public and emergency services – *Specifically discuss the impact that a closure would have on providing public and emergency services. Provide documentation from the service providers, with specific comments on how the impact will affect their ability to provide services.*
5. Utilities location or relocation – *Discuss impact on utilities (if applicable).*
6. Floodway – *If the project is intended to resolve issues related to the floodway, discuss those issues in detail and include a hydraulics analysis (for example HEC-RAS). Include FEMA mapping data.*

D. Describe the Environmental Considerations. Provide information on the location and significance of important land resources, historic sites, endangered species/critical habitats, etc, within the project area, using maps, photographs, studies and narrative. Generally discuss any potential environmental impacts that the project may have on the area where the project is to be constructed. Generally discuss any appropriate short and long-term measures necessary to minimize potentially adverse impacts.

The information collected through the Uniform Environmental Checklist is the basis for identifying the environmental resources in the area that may be affected. The checklist must be included as an attachment to the PER. If there has been a previous environmental assessment completed for the project area, please include a copy of the assessment in addition to the completed checklist. Refer to the Uniform Application booklet for information related to environmental requirements. Attach any exhibits, maps, or correspondence that may be applicable to help identify environmental resources present.

E. General Design Requirements for Improvements. *Describe the general design requirements that will need to be met in discussing the potential alternatives to remedying the bridge(s) problems.*

III. ALTERNATIVE SCREENING PROCESS. *Briefly describe all available alternatives to remedy the problems to be solved, including the no action alternative. Discuss any alternative that is not to be discussed further in Section IV. Alternative Analysis, noting why the alternative is obviously not suitable for further consideration. A sound justification is required for eliminating an alternative. Also discuss the “no action” alternative at this point, by explaining the implications of not resolving the problem.*

This section documents that an option was not overlooked, but rather was considered and ruled out as a viable option during the early stages of the planning process. All alternatives that are not eliminated in the screening process should be evaluated in Section IV. Alternative Analysis.

IV. ALTERNATIVE ANALYSIS. *(Provide the following information for each alternative bridge design.)*

A. Description. *Describe feasible technologies and design criteria. Discuss the rationale for how the bridge(s) was sized.*

B. Schematic Layout. *Provide a schematic layout for the proposed bridge(s).*

C. Regulatory Compliance and Permits. *Describe compliance with appropriate federal, state, local or tribal requirements. Discuss any permits that will be required to complete the project.*

D. Land Requirements. *Identify sites and easements required. Specify whether these properties are currently owned, to be acquired or leased, and whether options have been obtained contingent upon receipt of funding. For any site not currently being used for the intended alternative, identify adjacent land uses and any potential conflicts.*

E. Environmental Considerations. *Discuss any specific impacts that a particular alternative may have beyond those already discussed in Section II. Problem Definition.*

F. Construction Problems. *Discuss unique concerns such as geotechnical considerations, limited access, or other conditions that may affect cost of construction of the bridge(s). Provide an estimated dollar amount to mitigate such problems.*

G. Cost Estimates.

1. Project costs (i.e., administrative, financial, engineering, and construction costs) – Provide unit costs and basis of estimated costs.
2. Present Worth Analysis – Evaluate the cost-effectiveness of the bridge(s), considering capital and O&M costs, and expected life of the structure.

H. Basis of selection of a preferred alternative. Provide a comparative analysis of all of the alternatives discussed above. Clearly define the criteria utilized for the comparison of each alternative and consistently apply that criteria to each alternative. At a minimum, the evaluation and selection should take into account technical feasibility, environmental impacts, and cost considerations. Briefly summarize the reasoning for selecting the preferred alternative over the other alternatives. A matrix or spreadsheet should be used to summarize the logic of the selection process.

V. Detailed Description of the Preferred Alternative.

- A. Site location and characteristics.** Discuss the site location of the proposed bridge(s), and the characteristics of the site(s). Provide a detailed schematic layout for the proposed bridge(s).
- B. Design Criteria.** Describe in greater detail the design information for the selected alternative.
- C. Environmental Impacts and Mitigation.** Discuss in greater detail the environmental impacts that the selected alternative may have on environmental resources, and any appropriate short and long-term measures necessary to minimize each potentially adverse impact. Attach any exhibits or maps applicable to the environmental consequences. Attach the required environmental related correspondence and agency comments.
- D. Cost Summary for the Selected Alternative.** Provide an itemized estimate of the project administration and construction costs based on the anticipated period of construction. Include administrative line items such as personnel, office costs, training, legal services, interim interest, bond services, audit costs and other costs associated with the proposed project. Include construction line items for preliminary engineering, engineering design services, construction management, construction costs, land purchase costs, and contingency.

VI. RECOMMENDATIONS AND IMPLEMENTATION.

- A. Funding Strategy.** Describe the proposed sources of funding.

- B. Implementation.** *Describe how the project will be implemented and any special concerns regarding implementation. Provide a project schedule. Identify any items that have the potential to delay or prevent the project from going forward.*
- C. Public Participation.** *Describe any public participation, meetings, hearings, or comments received from the public about the PER, environmental concerns, or the proposed project in general.*

APPENDIX D

APPLICATION REVIEW PROCESS

A. INTRODUCTION

Under the TSEP statute, and the policies established by MDOC, the Governor and the Legislature since 1993, the review of TSEP applications by MDOC is a two-step process. In the first step of the review process, applications are evaluated and ranked based upon the extent to which the proposed project relates to each of the statutory review criteria. In the second step of the review process, the applicant's proposed level of local financial participation is analyzed. This analysis is the basis for MDOC's recommendation on the form and amount of funding for each project. The analysis is based on the premise that TSEP applicants should receive grant funds only if they are proposing a reasonable level of local financial participation. (See Appendix K, TSEP Application Flowchart for a graphic representation of the process a TSEP application goes through to be funded.)

B. STEP I - RANKING APPLICATIONS ON THE SEVEN STATUTORY PRIORITIES

The TSEP enabling statute requires MDOC to recommend a list of projects for TSEP funding, giving preference according to the Legislature's order of statutory priorities. Each application will be scored based upon the extent to which the proposed project is consistent with each statutory priority, using five possible point levels. With the exception of Statutory Priority #2, each point level corresponds to a definition that generally describes the requirements for being scored at that point level. The scoring level definitions are published as separate handouts, which are available to potential applicants. The five possible point levels are as follows:

Level 5	The Proposed Project Most Closely Meets the Intent of the Statutory Priority	Maximum Possible Points
Level 4		Four-Fifths Possible Points
Level 3		Three-Fifths Possible Points
Level 2		Two-Fifths Possible Points
Level 1	The Proposed Project Least Closely Meets the Intent of the Statutory Priority	One-Fifth Possible Points

The total number of points assigned to each TSEP application will be based upon its cumulative score on the seven statutory priorities. A declining numerical score has been assigned by MDOC to each succeeding statutory priority to reflect the order of priority for funding as established in 90-6-710, MCA. The TSEP statutory priorities in their order of importance, and the maximum score that can be obtained for each, are listed on the next page.

	<u>Maximum Possible Points</u>
Statutory Priority #1 (Urgent and Serious Health or Safety Problems, or Compliance with State or Federal Standards)	1,000 Points
Statutory Priority #2 (Greater Financial Need)	900 Points
Statutory Priority #3 (Appropriate Design and Long-Term Solution)	800 Points
Statutory Priority #4 (Long-Term Planning and Management)	700 Points
Statutory Priority #5 (Obtains Funds from Other Sources)	600 Points
Statutory Priority #6 (Long-term, Full-time Jobs, Business Expansion, Tax Base)	500 Points
Statutory Priority #7 (Community Support)	400 Points
TOTAL MAXIMUM POSSIBLE POINTS	4,900 Points

C. TSEP STATUTORY PRIORITIES AND RANKING CRITERIA

The following section lists the seven statutory priorities used to score and rank TSEP projects, along with the criteria that will be considered by MDOC in evaluating each applicant's response. TSEP applicants are required to submit narrative responses that describes the relationship of their proposed TSEP project to each of the statutory priorities. However, some priorities can be scored using the information provided in the *Uniform Application Form*. For those priorities that have been identified as such, applicants are not required to provide a narrative response unless there is additional information that they believe would impact how the priority will be scored. Applicants should respond to each of the criteria individually.

In order to avoid unnecessary duplication, the applicant can reference other pertinent portions of the application or appendices in the narrative responses to the priorities. However, the applicant should not reference another portion of the application, such as the preliminary engineering report, without including a narrative statement that provides at least a summary of what is being referenced. For example, an applicant should not simply state "See page 4 of the Master Plan" as a response to a statutory priority.

Projects that solve urgent and serious public health or safety problems, or that enable local governments to meet state or federal health or safety standards.

This priority will be scored based upon the information contained in the applicant's preliminary engineering report. Applicants should reference pertinent sections of the preliminary engineering report in the narrative response.

Note: the following criteria pertain to water, wastewater, storm drain, and solid waste projects.

- a. Does a serious deficiency exist in a basic or necessary community public facility or service, such as the provision of a safe domestic water supply or does the community lack the facility or service entirely, and will the deficiencies be corrected by the proposed project? *(Describe all deficiencies.)*
- b. Have serious public health or safety problems that are clearly attributable to a deficiency occurred, or are they likely to occur, such as illness, disease outbreak, substantial property loss, environmental pollution, or safety problems or hazards? *(Describe each public health or safety problem and indicate whether the problem has occurred or the degree to which it is likely to occur in the near-term, long-term, or may potentially occur at some point in the future. It is important to provide supporting documentation showing the public health or safety problems.)*
- c. Is the problem existing, continual, and long-term, as opposed to occasional, sporadic, probable or potential? *(Describe the nature and frequency of occurrence. Provide supporting documentation to substantiate.)*
- d. Is the entire community, or a substantial percentage of the residents of the community, seriously affected by the deficiency, as opposed to a small percentage of the residents? *(Describe the number of residents affected by the problem.)*
- e. Is there clear documentation that the current condition of the public facility (or lack of a facility) violates a state or federal health or safety standard? *(If yes, describe the standard being violated.)*
- f. Does the standard that is being violated represent a significant threat to public health or safety? *(For each standard being violated as listed in e., identify which of the public health or safety problems as listed in b. are associated with it.)*

- g. Is the proposed TSEP project necessary to comply with a court order or a state or federal agency directive? *(If yes, describe the directive and attach a copy of it.)*
- h. Are there any reliable and long-term management practices that would reduce the public health or safety problems?
- i. Is there any other pertinent information that might influence the scoring of this statutory priority?

Note: the following criteria pertain only to bridges.

- a. Does a serious deficiency exist in the bridge system and will the deficiencies be corrected by the proposed project? *(Describe all deficiencies for each bridge proposed for TSEP funding, including the NBI sufficiency rating, appraisal ratings, and element condition ratings. Describe any related public safety problems not reflected in the NBI sufficiency rating. If a new bridge is being proposed where none currently exists, describe why there is a need for a bridge at this new location; describe the public safety problems that necessitate the new bridge.)*
- b. Is the entire county, or a substantial percentage of the residents of the county, seriously affected by the deficiency, as opposed to a small percentage of the residents? *(Describe the number of residents, households, businesses, etc. affected by the problem.)*
- c. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #2

900 Possible Points

Projects that reflect greater need for financial assistance than other projects.

The information necessary to score this priority will be taken from the financial information submitted in the *Uniform Application Form*. Applicants do not need to provide any narrative response unless they are providing additional information that they believe has an impact on financial need.

This criterion will assess the applicant's need for financial assistance by examining each applicant's relative financial need compared to other applicants. The financial assessment will determine whether an applicant's need for TSEP assistance is comparatively greater or weaker than other applicants.

Points are awarded using a computer-assisted financial assessment, which makes a

comparative analysis of financial indicators. This process is conducted using two competitive ranking indicators that evaluate the relative financial need of each applicant. The analysis for the first indicator is common to all applicants, while the type of analysis used for the second indicator depends on the type of project. Based on an applicant's relative financial need, an applicant can receive up to 900 points. The two indicators are:

Indicator 1. Economic Condition of Households Analysis

The first indicator analyzes the relative economic condition of households, and is used in the financial assessment of each applicant (except for strictly economic development type projects as noted below). This analysis consists of ranking each applicant in relation to:

- a. the dollar level of the community's Median Household Income (MHI);
- b. the percent of persons in the jurisdiction at or below the level designated as Low to Moderate Income (LMI); and
- c. the percent of persons at or below the level designated as Poverty.

MHI is calculated by the U.S. Bureau of the Census as the amount of household income above and below which the household incomes in a jurisdiction are equally distributed. In other words, there are as many households with incomes above MHI as there are below MHI.

In effect, this indicator provides a comparative measure of ability to pay for infrastructure and public services. Considering the applicant's MHI, in conjunction with the percent of persons existing at or below the levels of LMI and poverty, provides a means of identifying concentrations of population which have relatively less ability to pay for public services. Use of this indicator helps assure that grant award recommendations take into account pockets of low and very low-income persons in a community or county that would be extraordinarily burdened by increased public utility rates or tax assessments.

The first indicator accounts for 40 percent of the 900 points possible under Statutory Priority #2, or up to 360 points. The MHI, LMI and Poverty each account for one-third of the possible points for this indicator. The points awarded in the economic condition of household analysis, are automatically computed and allocated based on a five level scoring system.

The data used in Indicator 1. Economic Condition of Households Analysis, will be compiled by the Department of Commerce from MHI, LMI, and Poverty statistics derived from the 2000 statewide data supplied by the U.S. Bureau of the Census. **Applicants do not need to provide the census data.**

However, for some applicants, there is no census data currently available for the specific project area, except to use census data for the entire county or city. Use of census data for the entire

county or city may not accurately reflect the economic condition of households within the project area. Examples of applicants that are not likely to have census data currently available for the specific project area would be new county water and sewer districts or a project that encompasses a particular neighborhood within a city.

Continued on next page.

As a result, for projects that do not have census data currently available, TSEP will compute the MHI, LMI and Poverty statistics by using data for the smallest geographical census area that encompasses the proposed project area. Upon request, TSEP staff will compute the MHI, LMI and Poverty statistics for the project area and determine the local government's target rate. Potential applicants will need to provide a map clearly showing the boundaries of the project area along with any other references, such as roads and rivers, that would help to locate the project area on the census maps.

Indicator 2. Financial Analysis

The analysis of the second indicator consists of scoring each applicant based upon their proposed level of local financial participation in the project relative to their ability to finance the project without TSEP assistance. The type of analysis that is used is determined by the type of project. **The second indicator accounts for 60 percent of the 900 points possible under Statutory Priority #2, or up to 540 points.**

A. Water, Wastewater, or Solid Waste Projects

For water, wastewater, or solid waste projects, that collect user fees, "Target Rate Analysis" is used to score each applicant based upon an applicants projected user rate as proposed in their application versus their predetermined benchmark or "target rate." Target user rates are based on a percentage of the community's MHI. The points awarded in the target rate analysis, are automatically computed and allocated based on a five level scoring system.

Solid waste and storm sewer systems are sometimes funded through property taxes rather than user fees. In these cases, the amount of the tax assessment is compared to the target rate instead of a user fee. For the purposes of the TSEP analysis, a storm sewer system is considered to be part of a wastewater system, and if there is a separate fee, it will be added to the wastewater user fees before comparing it to the target rate.

Applicants should carefully review Appendix E, Target Rate Analysis for Water, Wastewater and Solid Waste Projects for more information about the target rate analysis. **In particular, County Water and Sewer Districts, projects that will benefit only a small, defined area of a city or town, Tribal Governments, and communities that may have undergone dramatic demographic or economic changes since the 2000 Census information was**

obtained, should read the notes at the end of Appendix E.

B. Bridge Projects

The financial analysis for bridge projects that are funded through property taxes must be approached in a manner different from water, wastewater and solid waste projects that are financed through user fees. Instead of target rate analysis, the analysis will be based on the applicants' efforts over the past five years to finance their bridge systems. The financial analysis is based on two indicators.

The first indicator measures the residential property tax burden (per household) as a percentage of the county's MHI. This is accomplished by evaluating the residential portion of both the county property tax levy for bridges and the total county mill levy, as a percentage of MHI. The purpose of this indicator is to measure the property tax burden on residential taxpayers relative to other counties, and more specifically, the residential property tax burden related to taxes being levied for bridges. By looking at what counties were levying for bridges in 2002, MDOC determined that the average county property tax levy for bridges statewide was equal to .041% of a county's MHI. The average was computed using only those counties that levy a specific portion of their total tax levy for the purpose of funding their bridge systems; counties with all-purpose levies were excluded from the computation. However, for counties with an all-purpose levy, that portion of the levy that is used for its bridge system will be used the financial analysis. In order for a county to be competitive in the financial analysis, it should have been levying for bridges, an amount equal to or greater than .041% of a county's MHI. The state average in 2002 for the total residential property tax burden was 2.67% of a county's MHI. Counties that have been levying an amount equal to or greater than the state average will also be more competitive in the financial analysis.

The state averages, for both the residential bridge levy as a percent of MHI and the total residential mill levy as a percent of MHI, are based on the most current data available from the Montana Department of Revenue.

The second indicator measures the effects of changes in the applicant's ability to levy taxes. This is accomplished by evaluating changes in mill value, number of bridge mills levied, and the actual bridge levy. This indicator is evaluated if an applicant has been not levying an amount equal to or greater than .041% of the county's MHI for bridges. MDOC will analyze decreases in the county's mill value and whether the number of bridge mills were increased in an attempt to maintain the bridge levy at previous levels.

The points awarded for the financial analysis of bridge projects are allocated based on a five level scoring system. The score awarded is based on the TSEP staff's analysis and is manually incorporated into the financial assessment.

Bridge applicants will only be compared to other bridge applicants in the financial analysis for

Indicator #2. As a result, the score given to a bridge applicant on the financial analysis represents that applicant's financial need relative only to other bridge applicants. Tribal applicants with bridge projects will be analyzed similar to counties. However, the financial analysis will use the MHI for the reservation rather than the county.

C. Projects Involving Undeveloped Land

The type of financial analysis used to analyze projects that will be providing water and/or sewer service to undeveloped land will be based on the type of development. If the undeveloped land will be used primarily for commercial and industrial use, the type of analysis utilized will be determined by how the cost of the project will be paid for as discussed below under D. Economic Development Related Projects.

If the undeveloped land will be used to provide housing, the target rate analysis will be utilized. If the cost of the project will be paid for by all of the users of the system, the target rate for the entire jurisdiction will be used. However, if only the area to be served will be paying for the cost of the project, a target rate for the new development will be required. However, since there may not be any, or an insufficient amount of, household income data for the area, a target rate will have to be generated by the TSEP staff. An appropriate target rate will need to be established to reflect the income levels of the families living in the type of housing that is expected to be built. Other developed areas in the vicinity with similar types of housing will be looked at in determining income levels and the target rate. If the developer of the undeveloped land is committed to providing a certain percentage of the housing to low or moderate-income families, the TSEP staff will take into account the percentage of low or moderate-income housing when establishing the target rate for the applicant.

Regardless of the type of development, the applicant must provide documentation showing that the applicant has a firm commitment from a developer of residential property or, in the case of an economic development project, a business that will occupy the undeveloped land. A TSEP grant will not be recommended for purely speculative projects. The applicant must provide a business plan as discussed in Appendix I, Components of a Business Plan.

D. Economic Development Related Projects

The type of financial analysis used to analyze economic development related projects will depend on how the improvements will be paid for. If the cost of the project will be paid for by all of the users on the system, target rate analysis will be utilized using the target rate for the entire jurisdiction.

However, if the cost of the project will not be borne by all of the users on the system, a "financing gap" must be identified and documented in the financial package. The financial

analysis will evaluate whether other funds, including private funds from the business, are insufficient to complete the project without TSEP participation.

Applicants that can demonstrate that a greater quantity of cash (instead of in-kind or other grants) will be used to satisfy the match requirement will receive a greater number of points for this indicator. A greater number of points will also be given to applicants that conclusively demonstrate that quantifiable results can be achieved and measured as a direct result of the project, especially the creation and retention of local jobs. Applicants will also be given a greater number of points if they can demonstrate that a high ratio of jobs to TSEP dollars will be created or retained.

Any economic development related projects must demonstrate financial viability based on the current and projected strength of the business(s). A business plan must be submitted with the application, as discussed in Appendix I, Components of a Business Plan. A financial analysis will be conducted by the Department using standard analysis techniques. Otherwise strong proposals will not be approved if businesses cannot demonstrate long-term financial viability.

Final Competitive Ranking Score on Statutory Priority #2: Results from Indicators 1 and 2 are added together to determine an applicant's final score on Statutory Priority #2.

Important: The financial section of the *Uniform Application Form for Montana Public Facility Projects* should be accurately completed, since that information is used to conduct the financial analysis and scoring of applications on priority #2.

However, **Applicants with bridge projects** need to complete the financial information in SECTION E - SYSTEM INFORMATION REQUIRED FOR BRIDGE APPLICATIONS ONLY provided on pages 35 through 37 of these applications guidelines.

This financial information is also used as the basis for MDOC's recommendations regarding the form and amount of financial assistance to be awarded each project.

STATUTORY PRIORITY #3

800 Possible Points

Projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs.

This priority will be scored based upon the information contained in the applicant's Preliminary Engineering Report (PER) and environmental checklist. Applicants should reference pertinent sections of the PER in their narrative response.

a. Does the PER provide all of the information as required by the Uniform PER outline, and

did the analysis address the entire system in order to identify all potential deficiencies? *(The PER should contain all of the information as specified in the Uniform PER outline, and should comprehensively examine the entire system in order to identify all potential deficiencies.)*

- b. Does the proposed project completely resolve all of the deficiencies identified in the PER? If not, does the proposed project represent a complete component of a long-term master plan for the facility or system, and what deficiencies will remain upon completion of the proposed project? *(If any deficiencies will remain upon completion of the proposed project, provide a plan for when those deficiencies will be resolved.)*
- c. Are the deficiencies to be addressed through the proposed project the deficiencies identified with the most serious public health or safety problems? If not, explain why the deficiencies to be addressed through the proposed project were selected over those identified with greater public health or safety problems. *(If the applicant has not chosen to resolve the most serious public health or safety problems, it should provide a reasonable justification for the proposed project.)*
- d. Were all reasonable alternatives thoroughly considered, and does the technical design proposed for the alternative chosen represent an efficient, appropriate, and cost-effective option for resolving the local public facility need, considering the size and resources of the community, the complexity of the problems addressed, and the cost of the project? *(The PER must provide an analysis of all reasonable alternatives in sufficient detail to justify the alternative chosen.)*
- e. Does the technical design proposed thoroughly address the deficiencies selected to be resolved and provide a reasonably complete, cost-effective and long-term solution?
- f. Are all projected costs and the proposed implementation schedule reasonable and well supported? Are there any apparent technical problems that were not adequately addressed that could delay or prevent the proposed project from being carried out or which could add significantly to project costs?
- g. Have the potential environmental problems been adequately assessed? Are there any apparent environmental problems that were not adequately addressed that could delay or prevent the proposed project from being carried out or which could add significantly to project costs? *(The Uniform Environmental Checklist must be properly completed so that all potential environmental problems have been adequately assessed. All environmental concerns, noted in the Uniform Environmental Checklist, must be addressed in the PER when examining each of the alternative solutions.)*
- h. For projects involving community drinking water system improvements, does the applicant have a water metering system for individual services or has the applicant decided to install meters? In those cases where individual service connection meters are

not proposed, has the applicant's PER thoroughly analyzed the conversion to a water metering system and persuasively demonstrated that the use of meters is not feasible, appropriate, or cost effective?

- i. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #4	700 Possible Points
------------------------------	----------------------------

Projects that reflect substantial past efforts to ensure sound, effective long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources.

- a. Have there been substantial past efforts to deal with public facilities problems through a long-term commitment to capital improvement planning and budgeting, and if necessary, by raising taxes, hook-up charges, user charges or fee schedules to the maximum reasonable extent? *(Describe all efforts to deal with public facilities problems through a long-term commitment to capital improvement planning and budgeting. Describe how capital improvements plan (CIP) is utilized in conjunction with the local government's budget process. Describe efforts to keep CIP current through annual updates or periodic revisions. If a CIP has been adopted, attach a copy of it. Also, provide a history of increases to rates and hook-up charges, or any other increases that would provide funds for improvements to the system.)*
- b. Have reasonable operation and maintenance budgets and practices been maintained over the long-term, including adequate reserves for repair and replacement? *(Provide a description and history of the system's operation and maintenance budgets and practices. Describe whether the applicant will be able to fund future improvements through reserves/depreciation accounts with only minimal assistance from state or federal grants.)*
- c. If there are indications that the problem is not of recent origin, or has developed because of inadequate operation and maintenance practices in the past, has the applicant thoroughly explained the circumstances and described the actions that management will take in the future to assure that the problem will not reoccur? *(If the deficiencies are a result of inadequate operation and maintenance practices or have been present for more than two years, explain the circumstances and describe the actions that will be taken in the future to assure that the problem will not reoccur.)*

- d. Has the applicant demonstrated a long-term commitment to community planning in order to provide public facilities and services that are adequate and cost effective? *(Describe all other planning related efforts that have been utilized to help ensure that the applicant's public facilities and services are adequate and cost effective.)*
- e. Is the proposed project consistent with current plans (such as a local capital improvements plan, growth policy, transportation plan, or any other development-related plan) adopted by the applicant? *(In particular, if the applicant is a county water and sewer district, how does the proposed project fit in the county's growth plan.)*
- f. For projects involving drinking water system improvements, has the applicant installed individual service connection meters to encourage conservation and a more equitable assignment of user costs, and has the applicant adopted and implemented a wellhead protection plan for ground water.
- g. For applicants that have previously received a TSEP grant, did the applicant adequately administer the grant and abide by the program's requirements? *(If problems were noted during the administration of the grant, describe whether the problems were remedied or how they will be remedied before administering a new grant.)*
- h. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #5

600 Possible Points

Projects that enable local governments to obtain funds from sources other than TSEP.

This priority will be scored in part based upon the information contained in the applicant's *Uniform Application Form*. **Applicants should provide additional information concerning other funding sources that were not chosen to help finance the project**, or any other information that the applicant believes important that may impact how this project may be scored.

- a. Has the applicant made serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate public or private sources, to finance or assist in financing the proposed project? *(At a minimum, each appropriate public funding source should be discussed, and whether the applicant is eligible to apply to it and if not why, when the applicant would apply to it, or why the applicant does not plan to apply to it.)*
- b. How viable is the proposed funding package? *(Describe the level of commitment from the various funding sources and the likelihood of receiving the various funds proposed.)*

- c. Is TSEP's participation in the proposed project essential to obtaining funds from sources other than TSEP? *(Describe situations where obtaining specific funds are dependent upon receiving TSEP funds because other sources of funds are not available.)*
- d. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #6

500 Possible Points

Projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintains or encourages expansion of the tax base.

- a. Will the proposed TSEP project directly result in the creation or retention of a substantial number of long-term, full-time jobs for Montanans? *(Describe any long-term, full-time jobs for Montanans that would be directly created or retained as a result of the proposed project [other than those related to the construction or operation of the system]. The narrative should describe the number of jobs, the businesses where the jobs would exist, and how the proposed project directly relates to their creation or retention. Provide documentation as applicable.)*
- b. Will the proposed TSEP project directly result in a business expansion? Is the business expansion dependent upon the proposed project in order to proceed? *(Discuss any businesses that have proposed to expand, and why they are dependent upon the proposed project to proceed.)*
- c. Has the applicant provided a business plan for the specific firm(s) to be expanded as a result of the proposed TSEP project? If yes, is it a realistic, well-reasoned business expansion proposal and does it clearly demonstrate that the firm to be assisted by the proposed public facilities has a high potential for financial success if TSEP funds are received? *(Submit a business plan as described in Appendix I, Components of a Business Plan, for each business to be expanded as a result of the proposed TSEP project.)*
- d. Will the proposed TSEP project maintain or encourage expansion of the private property tax base? *(Describe how the proposed TSEP project will maintain or encourage expansion of the private property tax base, and provide documentation if available.)*
- e. In situations where a private sector alternative could be reasonably appropriate and capable of providing a long-term, cost-effective solution, did the applicant seriously evaluate the option of utilizing the private sector to resolve the identified public facility

problem? *(Describe your evaluation of whether the private sector could be utilized to resolve the identified public facility problem.)*

- f. Is there any other pertinent information that might influence the scoring of this statutory priority?

STATUTORY PRIORITY #7

400 Possible Points

Projects that are high local priorities and have strong community support.

- a. Has the applicant encouraged active citizen participation, including at least one public hearing or meeting held not more than 12 months prior to the date of the application, to discuss the proposed TSEP project and receive comments from the affected community residents? *(Describe your efforts to encourage active citizen participation. Provide documentation including copies of newsletters, special mailings, public hearing advertisements and announcements, agendas, minutes, public comments, newspaper articles, etc.)*
- b. Has the applicant informed local citizens and affected property owners of the estimated cost per household of any anticipated increases in taxes, special assessments, or user charges that would result from the proposed project? *(Provide documentation that local citizens and affected property owners have been informed of the estimated cost per household of any anticipated increases in taxes, special assessments, or user charges that would result from the proposed project.)*
- c. Has the applicant assessed its public facility needs, established priorities for dealing with those needs through an officially adopted capital improvements plan (or other comparable plan), and is the proposed TSEP project a high priority of that plan? *(Describe and provide documentation that the applicant has assessed its public facility needs, established priorities for dealing with those needs through an officially adopted capital improvements plan, and that the proposed TSEP project is a high priority of that plan. Documentation could include copies of public opinion surveys, growth policies, transportation plans, needs assessments, CIP's, facility plans, system master plans, etc.)*
- d. Are the local citizens and affected property owners in support of the project? *(Describe and provide documentation that local citizens and affected property owners are in support of the project. Documentation could include copies of public opinion surveys, petitions, letters of support, etc.)*
- e. Is there any other pertinent information that might influence the scoring of this statutory priority?

In its narrative response to Statutory Priority #7, each applicant should describe its efforts to assure citizen participation in the selection of the proposed project and document local awareness of, and support for, the proposal.

Applicants must have at least one advertised public hearing or meeting in the area of the project, not more than 12 months prior to the date of the application, to inform and receive comments from local citizens and affected property owners regarding the key components and costs of the proposed project and the amounts of any anticipated increases in user charges or assessments that will result from the proposed project, **including the estimated cost per household**. Applicants should take active measures to alert local citizens and affected property owners that a public hearing or other informational meeting will occur. Hearings or meetings should be scheduled at times and at locations that are convenient for the average citizen. It is important that the public is adequately informed and has adequate opportunities to comment on the project.

In order to obtain the maximum points possible, applicants should provide adequate documentation to substantiate their citizen participation efforts. Copies of public hearing advertisements, agendas and minutes, along with newspaper articles, public opinion surveys, petitions, special mailings, newsletters, and letters of support should be submitted to demonstrate: that the public has been adequately informed about the proposed project as it evolved and has had adequate opportunities to provide comments on the proposed project, and that local residents are in support, of the proposed project.

STEP II - FINANCIAL ASSISTANCE ANALYSIS

During the original legislative discussion of TSEP, many legislators stated that TSEP applicants should make the maximum effort to pay for local public facility projects with their own resources before they ask the State to subsidize a local project. There was also a strong agreement among local officials and legislators that participated in the public hearings on the original TSEP program, that communities should participate in the funding of any public facility project in proportion to their financial resources. In response to this consensus, the policy established by MDOC in 1993, and supported by the Governor and the Legislature since then, has been that TSEP grants should not be awarded unless the applicant is contributing a reasonable amount towards the financing of the project.

The major challenge is to try to define a "reasonable amount." The methodology used by MDOC utilizes a variety of financial indicators for analyzing local financial capability as suggested by local officials. The financial indicators are used to analyze whether an applicant is contributing a reasonable amount towards the financing of the project or whether the applicant could fund additional debt capacity from a loan or bond financing from another source that would provide feasible and affordable financing for the project. None of the indicators viewed individually may give a clear picture of the applicant's need for TSEP assistance. However, when taken together, they do provide a reasonable and consistent basis for evaluating the overall financial capacity of each applicant. This financial analysis is used to ensure that applicants are funding their fair share of the project.

The target rate methodology used in the financial analysis for water, wastewater and solid waste projects has been developed over a period of many years, and is utilized by all of the Montana public facility funding agencies. Since there was no comparable methodology for bridge projects, MDOC developed the unique financial analysis in 1997, which is currently being used.

A. Water, Wastewater and Solid Waste Projects

For water, wastewater, solid waste, and other projects funded by user fees, calculations are conducted, based on rate and system information supplied by applicants, to determine if the applicant will be above or below its "target rate." The financial analysis is based on the combined user fees of water and wastewater systems within the applicant's jurisdiction, or on the user fees of the system for which funds are requested, if the applicant has only one type of system. The analysis for solid waste systems is based on the user rates for that system alone. Applicants with proposed water, wastewater, or solid waste projects with user fees should carefully review Appendix E, which explains the concept of target rate analysis.

If an applicant's actual rates, after implementation of the TSEP project, would be less than the target rate, the next step is to determine the amount of additional funds that the applicant has the ability to borrow for the project in place of TSEP grant funds. In other words, the analysis looks at whether the applicant has unused debt capacity which could be substituted for all or some of the requested TSEP grant. If it can be reasonably concluded that an applicant has some capacity to borrow additional funds, the TSEP staff subtracts the amount of borrowing capacity from the grant request to determine the amount of the recommended TSEP grant award, if any. **In accordance with a policy established by the Legislature's Long-Range Planning Subcommittee, the applicant's projected rates, after**

implementation of the TSEP project, should be at or above the target rate to be recommended for and awarded a grant. If the applicant has sufficient debt capacity to finance the amount requested from TSEP such that the resulting increased user fees would be below the target rate, MDOC will not recommend grant funding for the applicant. In the event an applicant has unique constraints on its capacity to incur debt for the system, which would prevent it from reaching the recommended target rate, it should provide documentation from a recognized bonding firm, bond counsel, or qualified financial consultant to substantiate the limitation on its borrowing capacity.

B. Bridge Projects

The financial analysis for bridge applicants is primarily based on two indicators, however, additional information is also used to determine the amount of funding that might be awarded. The first indicator measures the residential property tax burden as a percentage of the county's median household income (MHI). The second indicator measures the effects of changes in the applicant's ability to levy property taxes.

In order for an applicant with a bridge project to receive a recommendation by MDOC for full funding under the financial analysis, a county should have been levying an amount equal to or greater than .041% of a county's MHI for bridges over the past five years. However, if a county levied an amount less than .041% of a county's MHI, MDOC will take into consideration a county's non-property tax revenues that it is using to fund its bridge system. For counties that use an all-purpose levy, the financial analysis will use that portion of the levy that is used for its bridge system. If a county's bridge levy has been less than .041% of the county's MHI over the last five years, MDOC will also evaluate decreases in the county's mill value and whether the number of bridge mills were increased in an attempt to maintain the bridge levy at previous levels.

Another factor that can affect the amount of funding that may be recommended is how much a county's residential property tax levy is in total calculated as a percent of the county's MHI. If a county's total residential property tax levy, calculated as a percent of the county's MHI, has been less than the state average property tax levy of 2.67% over the past five years, the county could potentially have asked the public to consider voter approved funding strategies such as special improvement districts, general obligation bonds or additional mill levies to help meet bridge needs.

In addition to the two indicators discussed above, additional information from the county is also evaluated in order to provide a more complete picture of what it is doing to fund its bridge system. The following types of information will also be used to evaluate whether a grant should be awarded:

- whether the county is using non-property tax revenues for its bridge system;
- whether the county has inventoried all of its bridges;
- whether the county has prepared a countywide capital improvements plan for bridges;
- whether the county has established a depreciation reserve fund for bridges; and

- whether the county has worked with other entities (such as private land owners, state or federal agencies, local businesses, etc.) to develop cooperative strategies for addressing bridge needs; and
- the degree to which the applicant has funded bridge repair or replacement projects within the past five years.

A list of the questions used to obtain the additional information requested from counties is provided in Appendix B. **The amount of the grant award recommendation for bridge applicants is based on the degree to which counties have funded their bridge system, as indicated by the financial analysis.**

SUMMARY

In order to receive a recommendation for a TSEP grant, the applicant must demonstrate that it is funding its fair share of the project, and the local government must rank sufficiently higher than other applications on the seven statutory priorities in order to be in a position high enough to receive some of the available grant funds.

Full grant funding for **water, wastewater, and solid waste projects** is unlikely to be recommended for applicants that propose user rates for their communities that would be below the target rate.

Full grant funding for **bridge projects** may not be recommended for applicants unless the county levied an amount equal to or greater than .041% of the county's MHI for bridges over the past five years. However, MDOC will take in account the use of non-property tax revenues, changes in the county's ability to levy taxes, and the degree to which it appears that the county has made an effort to fund its bridge system without TSEP assistance.

The use of target rates may not be applicable to certain projects such as an economic development related project that will be paid for by the businesses that are to be served by the project. In those cases, a "financial gap" analysis will be conducted to determine if TSEP funds are truly required to make the project work.

Applicants can obtain their target rate using the Internet by going to:

<http://commerce.state.mt.us/CDD/search.asp>

**If the applicant does not have access to the Internet,
the TSEP staff can provide the information.**

APPENDIX E

TARGET RATE ANALYSIS FOR WATER, WASTEWATER AND SOLID WASTE PROJECTS

County Water and Sewer Districts, projects that will benefit only a small, defined area of a city or town, tribal governments, and communities that have undergone dramatic demographic or economic changes since the 2000 Census, should read the notes at the end of this appendix.

“Target rate analysis” is a key part of the financial assessment for water, wastewater and solid waste projects. It is used by MDOC to help determine the amount of grant funds a community needs to keep its user rates, resulting from a proposed improvement to a water, wastewater, or solid waste project, at a reasonably affordable level for its citizens relative to other communities. The idea of “target rates” is based on the concept that the ability of a community, as a whole, to pay a particular user rate is related to the overall median household income level in the community, and that communities with higher median household incomes can afford higher rates than those with lower median household incomes.

MDOC conducts a survey of user rates charged by selected water, wastewater, and solid waste systems around Montana every ten years, when new U.S. Census data is available, for the purpose of computing new “target percentages.” The target percentage is multiplied times a community’s median household income (MHI) in order to compute its target rate. The systems selected for the survey are typically those that have had improvements made in recent years, are currently operating in compliance with state and federal regulations, and are charging user fees that adequately support the cost of operating the system. The systems’ average user rates are compared to the communities’ MHI obtained from the new Census data. The resulting ratios from these surveyed systems are averaged and the target percentage computed, which is then used to compute target rates for ten years until new Census data is available.

MDOC utilizes the combined rates for both water and wastewater systems in its target rate analysis. This helps to ensure that an applicant's need for financial assistance is not understated if either of the systems have high rates, even though the other system may have relatively low rates. For communities with only a water system, or a wastewater system, but not both, only the target rate for that system will be used. Storm drain projects are computed as if it were a part of the wastewater system. Target rate analysis of solid waste systems will consider rates for that service alone.

A community’s target rate is computed by multiplying the community’s MHI by the combined target percentage (2.3%) to measure residential households ability to pay combined water and wastewater rates (1.4% for water systems plus .9% for wastewater systems equals 2.3%). For communities with only one system, 1.4% will be used for water systems and .9% will be used for wastewater systems. A community’s target rate for a solid waste system is computed by multiplying the community’s MHI by the target percentage (.3%) to measure residential households ability to pay solid waste rates.

Note that the target percentage for wastewater systems increased from 0.8% to 0.9% and the combined target percentage increased from 2.2% to 2.3%.

For example, if a community had an annual MHI of \$30,000, this figure is multiplied by 2.3% and then multiplied by 90%. The sum is then divided by twelve months to determine the community's combined monthly target rate (for water and wastewater) of \$51.75 per month ($\$30,000 \times 2.3\% \times 90\% = \621 divided by 12 months = \$51.75 per month). If a community only has a water system and no wastewater system, the target rate would be \$31.50 per month ($\$30,000 \times 1.4\% \times 90\% = \378 divided by 12 months). If a community only has a wastewater system and no water system, the target rate would be \$20.25 per month ($\$30,000 \times .9\% \times 90\% = \243 divided by 12 months).

Over the last ten years, MDOC has multiplied the community's target percentage times 90% (the "multiplier") for comparison against actual user rates, for the purpose of conducting the TSEP financial analysis. This has been done because of the potential inaccuracies of the methodology, and it provides applicants with some remaining capacity to meet future emergencies or facility needs that may be unknown at this time. However, the MHI figures taken from the decennial census data, upon which target rates are computed, become less accurate over time. As a result of target rates being adjusted only once, every ten years, the target rate that is used for the ten-year period increasingly does not reflect the actual increases in incomes and rates paid by the systems' users as the census data gets older. In addition, because the target rate is adjusted only once, every ten years, the target rates increase significantly with the new MHI figures.

In order to compensate for the inability to adjust target rates on a more frequent basis, and to lessen the degree to which target rates increase every ten years, the "multiplier" will increase by 2% every two years. In 2004, when TSEP applications are next due, MDOC will continue to multiply the target percentage times 90%, but in 2006 the target percentage will be multiplied times 92%, in 2008 - 94%, in 2010 - 96%, and in 2012 - 98%. When new census data is available in 2014 and new target percentages are computed, MDOC will start all over again by multiplying the target percentage times 90% and then again increasing the amount by 2% every two years.

As a result of a comment on the draft guidelines, MDOC decided to maintain some discretion in making this adjustment. Because increasing the multiplier by 2% each cycle could potentially be too aggressive, compared to actual inflation, MDOC will examine the annual income estimates provided by the U.S. Census Bureau. Based on the estimates for the statewide MHI, MDOC may lower the multiplier in any given funding cycle over the next ten years.

Example of Target Rate Analysis: With and Without TSEP Assistance

The following example illustrates the target rate concept applied to a hypothetical community. The Rivers Edge Water and Sewer District, which serves 492 households, is in violation of the Federal Safe Drinking Water Act because of various contaminants. The District plans to make several improvements to the water storage and distribution system. Residents are already paying \$15.25 per month to pay for an existing loan for a previous project to improve their wastewater system, plus operating and maintenance costs of \$10 per month for the water and wastewater systems. The District

does not have the borrowing capacity to fund the necessary improvements without TSEP assistance and is requesting a TSEP grant in the amount of \$500,000. The District's combined target rate is approximately \$51.75 per month per household. (\$30,000 MHI multiplied by .023, divided by 12 months, and multiplied by .90).

The following assumptions are made for the example below:

- Included in the user rates of the proposed debt are: \$15,000 for costs of issuance; 10% debt service reserve; and 25% debt service coverage costs of the annual debt service payment.
- The "Cost of Issuance" includes bond counsel, financial advisor, official statement printing, bond sale advertisement, and bond printing.

EXAMPLE WITHOUT TSEP ASSISTANCE

Estimated Project Cost	\$2,380,000
Cost of Bond Issuance	+\$ 15,000
	\$2,395,000
Reserve Required	x 1.10
Total Financial Need	\$2,634,500

Interest Rate: 5%

Term: 20 Years

Base Annual Debt Service: \$208,652

Debt Service Coverage: x 1.25

Total Annual Debt Service \$260,816

$\$260,816 / 12 \text{ months} / 492 \text{ users} = \44.18 projected monthly user rate increase to finance new water system improvements.

$\$44.18 \text{ projected rate} + \$15.25 \text{ existing debt} + \$10.00 \text{ projected operating and maintenance costs (water and wastewater system)} = \69.43 total monthly user rate.

Without a TSEP grant, the combined water and wastewater rates would be \$69.43 per month per household, which is considerably above the target rate of \$51.75 month per household (134% of target rate). Without a TSEP grant, local residents will pay an additional \$111 per household per year. This community clearly needs TSEP assistance to make the project more affordable.

EXAMPLE WITH TSEP ASSISTANCE

Estimated Project Cost	\$ 2,380,000
TSEP Grant	- \$ 500,000
Financing Need	\$ 1,880,000
Cost of Bond Issuance	\$ 15,000
	\$ 1,895,000
Reserve Required	x 1.10
Total Financial Need	\$ 2,084,500
Interest Rate:	5%
Term:	20 years
Base Annual Debt Service:	\$ 165,092
Debt Service Coverage:	x 1.25
Total Annual Debt Service	\$ 206,366

$\$206,366 / 12 \text{ months} / 492 \text{ users} = \34.95 projected monthly user rate increase to finance new water system improvements.

$\$34.95 \text{ projected rate} + \$15.25 \text{ existing debt} + \$10.00 \text{ projected operating and maintenance costs (water and wastewater system)} = \$60.20 \text{ total monthly user rate.}$

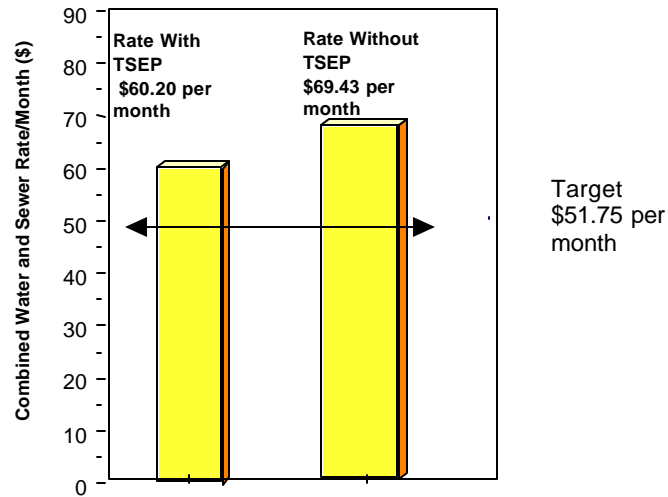
With the TSEP grant, the combined water and wastewater rates would be \$60.20 per month per household, which is still above the target rate of \$51.75 per month per household (116% of target rate).

Therefore, a TSEP grant would be recommended, since this community needs a TSEP grant to keep the project reasonably affordable. A chart on page 67 graphically represents Community A's need for a TSEP grant. Without a TSEP grant, the combined water and wastewater rates would be considerably above the target affordable combined rate, and the project may not be reasonably affordable for local residents to build. Even with the TSEP grant, the combined water and wastewater rates would be above the target rate, however, the project should be more reasonably affordable for local residents.

For comparison, a second community's financial situation is presented on the bottom of the chart. Community B, which has the same number of system users, current debt and projected O&M as Community A, is planning to do the same project. However, Community B has an MHI of \$42,000, which results in a target rate of \$72.45. As a result, Community B can complete the project without a TSEP grant, because its combined monthly water and sewer rates upon completion of the proposed project would still be below the target rate. Therefore, a TSEP grant would not be recommended for Community B.

In order to determine whether a proposed project would be recommended for a TSEP grant, a financial analysis must be completed to determine whether the projected user rates, upon completion of the project, would be above or below the target rate. Based on this analysis, applicants should propose a financial package that ensures that their projected user rates are above the target rate, so as to qualify for a TSEP grant.

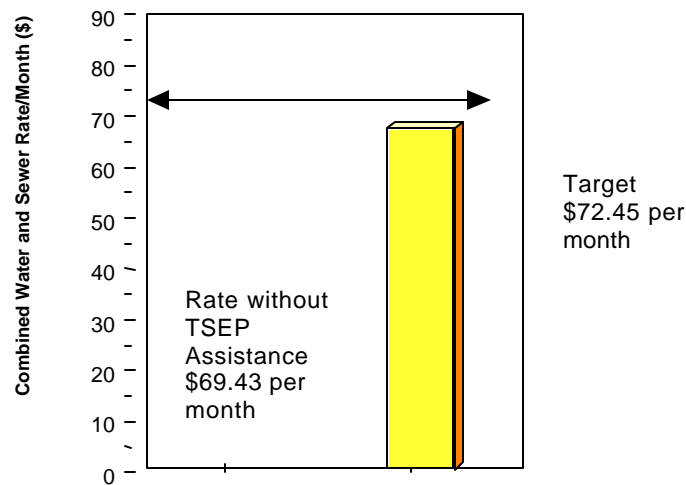
COMMUNITY A



Median Household Income	\$30,000
Target	\$51.75
Rate with TSEP grant	\$60.20
Rate without TSEP grant	\$69.43

A TSEP grant is recommended for Community A since it is above the target rate.

COMMUNITY B



Median Household Income	\$42,000
Target	\$72.45
Rate without TSEP grant	\$69.43

A TSEP grant is not recommended for Community B since it is below the target rate.

Calculating “Target Rates” For Districts and Small Project Areas Within Cities

Cities, towns and counties, and some county water and sewer districts that have been designated as a census designated place, have statistics already prepared as part of the process of preparing the census. For other county water and sewer districts there is no census data currently available and a census study is required. In addition, some proposed projects only provide improvements to a small portion of the city, and the cost of the project is paid for by those benefiting from the project through special improvement district (SID) assessments on their property. This situation also requires a census study in order to obtain census data for just the project area as compared to using the census data for the entire jurisdiction of the applicant.

Upon request, the TSEP staff will compute the Median Household Income (MHI), Low to Moderate Income (LMI) and Poverty Income statistics for the project area, and compute the target rate for the project area. Potential applicants will need to provide a map clearly showing the boundaries of the project area along with any other references, such as roads and rivers, that would help to locate the project area on the census maps.

When a census study is required, TSEP will compute the MHI, LMI and Poverty statistics by using data for the smallest geographical census area that encompasses the proposed project area. However, the TSEP staff sometimes has to use census data that includes statistics for areas outside of the boundaries of the district or project area, because that is the smallest geographical area delineated by the U.S. Census Bureau to obtain the data. The inclusion of these additional households from outside of the boundaries of the project area can sometimes adversely affect the income data, and more importantly, elevate the target rate.

In order to eliminate these additional households from the target rate computation, applicants are allowed to conduct an income survey in order to establish more accurate income figures. See Appendix H for more information on conducting an income study.

Note For Tribal Governments: An equivalent amount to a user fee will be used in the target rate analysis for tribal governments applying to TSEP if individual users are not assessed fees. The equivalent amount will be based on the tribe's cost to finance the improvements, repay any existing system debt, and operate and maintain the system divided by the number of households that are served by the system. The equivalent amount will then be compared to the applicant's target rate. Other appropriate methodologies as determined by the Department may be used as needed by the TSEP staff to determine financial need for tribal governments.

Communities That Have Undergone Dramatic Demographic Or Economic Changes

Some communities may have undergone dramatic demographic or economic changes since the 1990 Census information was obtained. A major industry, such as a lumber mill or a mine, may have closed. In a small community the mill or the mine may have been the major employer. The impact of the closing may have resulted in dramatic economic changes for the community. It would mean a loss of jobs, which are typically higher paying jobs, potentially a loss of population as families move to find new jobs, and probably less spending in the retail and service sectors of the local economy. The combined effect of these changes may have resulted in a significantly lower median household income, a higher percentage of low to moderate-income households, and higher percentage of poverty households.

Under these conditions, an applicant may conduct an income survey in order to establish more current income figures. See Appendix H for more information on conducting an income study.

Because of the importance of “target rate analysis” in the ranking of TSEP applications for water, wastewater and solid waste projects, applicants should contact the TSEP staff in order to have their target rates calculated or verified in order to ensure that the correct target rate is being used.

If the proposed user rates would be below the target rate, after preparing a preliminary financial package to construct the proposed project, applicants should discuss their proposed projects with MDOC staff. **Grant funding will not be recommended for projects that would result in user charges below the target rate.**

To obtain the specific census data and target rates, for census designated places (cities and towns, county water and sewer districts, and counties), using the Internet, go to:
<http://commerce.state.mt.us/CDD/search.asp>

If you do not have access to the Internet, the TSEP staff can provide the information by calling 841-2770.

APPENDIX F

TSEP PRELIMINARY ENGINEERING GRANT APPLICATION FORM

Applicant Information:

1. Name of Applicant: _____

2. Type of Governmental Entity: _____
(Incorporated Municipality, County, Tribal Government, County Water/Sewer District, Solid Waste District, Etc.)

3. Federal Tax Identification Number: _____

4. Contact Person: Name: _____

Title: _____

Name of Firm: (if applicable) _____

Street/P.O. Box: _____

City/State/Zip: _____

Telephone/Fax Numbers: _____

Proposed Budget:

	SOURCE: <i>TSEP Grant</i>	SOURCE:	SOURCE:	TOTAL
Engineering Services				

Proposed Implementation Schedule:

Estimated Start Date of Preliminary Engineering: _____

Estimated Completion Date of Preliminary Engineering: _____

Attach a proposed preliminary engineering implementation schedule. This schedule should include the major milestones associated with the study including field activities, draft report preparation and review, and final report preparation and submittal (see Attachment 1).

Proposed Project Description:

A brief description of the project that is being proposed for construction after the preliminary engineering is completed, and the proposed activities and work schedule in completing the preliminary engineering:

1. the type of project
2. the project location,
3. a brief history of the system, and its known or presumed deficiencies,
4. any related compliance issues,
5. any alternatives that are being considered at the time of this application, and
6. activities that will take place (including the process to be used to procure an engineer) and products produced.

Applicants are encouraged to attach pertinent supporting documentation, such as a letter from the Montana Department of Environmental Quality or County Sanitarian documenting the seriousness of a public health or safety threat existing in a community.

Required Attachments:

1. Documentation showing the legal creation of the district (if a County Water and Sewer District),
2. Documentation showing the commitment of matching funds, and
3. Proposed Preliminary Engineering Implementation Schedule.

Authorizing Statement:

I hereby declare that the information included in, and all attachments to, this application is true, complete, and accurate to the best of my knowledge. I further declare that, on behalf of _____ (Applicant), I am legally authorized to enter into an agreement with the Montana Department of Commerce if a TSEP grant is awarded. I further declare that if a TSEP grant is awarded, the grant will be used to prepare:

- 1) a Preliminary Engineering Report (PER) that follows the format and meets the requirements of the *Uniform Preliminary Engineering Analysis for Montana Public Facility Projects* outline and**
- 2) a completed Uniform Environmental Checklist, which will become an attachment to the**

PER.

I understand that MDOC will only review the final PER in an attempt to ensure that the information presented in the PER meets the basic requirements of the *Uniform Preliminary Engineering Analysis for Montana Public Facility Projects* outline, and that MDOC will not certify the quality of the PER. I further understand that the review and approval of the content of the PER by MDOC, does not guarantee that a subsequent application to TSEP for a construction project would result in the maximum number of points being assigned in the scoring of the engineering problem or design during the TSEP ranking process.

Signature

Date

Title

ATTACHMENT 1

PRELIMINARY ENGINEERING IMPLEMENTATION SCHEDULE

TASK	MONTH / YEAR
ADVERTISEMENT FOR ENGINEERING SERVICES	
Submit RFP to MDOC for approval	
Publish RFP	
Select engineering firm	
Execute agreement with engineer firm	
MAJOR PRELIMINARY ENGINEERING ACTIVITIES/MILESTONES	
TSEP Drawdowns	
Submit draft report and request first drawdown of funds	
Submit final report and request final drawdown of funds	

APPENDIX G

EMERGENCY GRANT REVIEW FORM

Applicant and Project Information:

Date Request is Received:

Applicant:

Address:

Contact Person and Telephone Number:

Nature of Emergency:

Proposed Project:

Estimated Total Cost of Project: \$

Itemize the proposed expenditures:

Amount of TSEP Funds Requested: \$

Review of Request:

1. Is the applicant eligible to apply for TSEP funding? Yes ☐ No ☐
2. Is the proposed project eligible for funding? Yes ☐ No ☐
3. Is the grant necessary to remedy a condition(s) that if allowed to continue until legislative approval could be obtained would endanger the public health or safety and expose the applicant to substantial financial risk? Yes ☐ No ☐

Details:

4. Can the implementation of reasonable management practices forestall the risks to health or safety until legislative approval can be obtained? Yes ☐ No ☐

Details:

5. Is all of the proposed emergency project critical to the proper operation of a system? Yes ☐ No ☐

Details:

6. Is any proposed funding to be used for preventive maintenance or to provide a backup to an existing system component? Yes ☐ No ☐

Details:

7. Are all of the proposed expenditures essential to resolving the emergency and necessary for completing the proposed emergency project? Yes ☐ No ☐

Details:

8. Will any further actions beyond what has been proposed be necessary to fully resolve the emergency? Yes ☐ No ☐

Details:

9. Has the applicant contributed as much financial and other resources as possible towards completing the proposed emergency project? Yes ☐ No ☐

Details:

10. Is funding available from any other source, including the sponsor? Yes ☐ No ☐

Details:

Site Visit:

Date:

State Agency Person Conducting Site Visit:

Contact Person and Telephone Number:

Brief Summary of Visit:

Conclusions:

Actions To Be Taken:

Request: Approved ☐ Approved but Modified ☐ Denied ☐

Amount Awarded: \$

Reasons for Actions Taken:

Details of Actions Taken by MDOC:

Jim Edgcomb, Manager
Treasure State Endowment Program

Date: _____

Having reviewed the information stated above, I concur ☐ I do not concur ☐ with the action to be taken
by the Treasure State Endowment Program.

Mark Simonich, Director
Department of Commerce

Date: _____

APPENDIX H

CONDUCTING AN INCOME SURVEY

Because the U.S. Census is taken only once every ten years, and significant economic and demographic changes can occur in a community during that time, TSEP applicants are allowed to conduct an income survey in order to collect and revise the income figures for the community. Another reason for conducting an income survey might be because there are numerous other households included in the census data, but they are not included within the area served by the water, wastewater, or solid waste system. These additional households can potentially cause the income figures to be considerably higher than they would be if they were not included.

However, unlike other programs that allow income surveys to simply demonstrate that an applicant meets eligibility requirements, TSEP will need actual income figures to calculate new income data (the median household income [MHI], the percent of households that are low to moderate income [LMI], and the percent of households below poverty level) and calculate the target rate for the applicant. As a result, the applicant will need to survey households in order to obtain the actual amount of the household income.

An income survey should not be attempted unless absolutely necessary, since people are extremely reluctant to provide their household income. As a result, it is particularly important for the applicant to have an effective public participation process and a clear acceptance of the project by the community in order to achieve a successful income survey. The applicant should have a reasonable belief that people are willing to provide this information before beginning the income survey process, due to the time and expense involved in conducting the survey.

An impartial, non-profit organization, such as a Human Resource Development Council (HRDC) must be used to conduct the survey. The organization conducting the survey must ensure the confidentiality of the information collected. Controls should be setup in order to ensure that individuals involved in conducting the survey cannot identify any particular person's income. Both parts of the completed survey form should never be viewed at the same time.

The survey must be distributed to every permanent household, as compared to seasonal households, within the jurisdiction of the water, wastewater, or solid waste system. TSEP requires a minimum return rate of at least 67% of the surveys. In addition, if there is a high percent of no returns from a particular area of the community, and the area not adequately represented had a significantly higher MHI than the MHI for the area as a whole in the last census, the survey results may not be accepted by TSEP.

On page 79 is a sample form for collecting the required information. Prior to distribution, each form must have a survey identification number written on both parts of the form. These numbers are needed in case verification is required by the State. We recommend that survey identification numbers be assigned randomly, so that residences next to each other do not have contiguous numbers. This helps to ensure confidentiality. An envelope should also be provided so that the top part of form can be kept separate from the bottom half. An attachment to the form, explaining what constitutes income for the

household unit, is on page 80 and must be provided to residences along with the form. On page 82 is a sample of a letter that the community might also want to include with the form to explain why and how the survey is being conducted.

The sealed envelope with the top part of form, along with the bottom portion of the form, should be placed in a locked ballot box when they are picked up. The envelopes and the bottom portion of the form should be kept separated once they have been collected. If at all possible, the same individual should not be allowed to view both parts of the form.

Once the survey has been completed, the applicant will need to report the results of the survey by tabulating the information in a manner similar to the example provided on pages 83 and 84. The MHI is the income mid point between the highest and lowest income reported. If there are an even number of returned surveys, the MHI is determined by the average of the two incomes that are mid point between the highest and lowest income reported. The applicant will need to obtain LMI income thresholds for the county in order to compute the percent of households at or below the LMI income level. The TSEP staff can provide you with those thresholds. The income thresholds for Poverty are shown on page 85. The applicant is also required to provide a map, similar to the example provided on page 86, showing the residences that did not return the survey. Finally, the applicant is required to provide a narrative explaining the entire process of how the survey was conducted. These three items must be included as part of the application.

All of the responses to the survey, and any other information related to the survey, must be kept as part of the project records. Once the survey results have been tabulated, the top part of the form with information about incomes should be kept in a sealed envelope and marked such as “Income Survey Responses – Confidential Information – Do Not Open.”

All of the information related to the survey will be reviewed as part of the monitoring of the project if the applicant is awarded TSEP funds. The responses to the survey may require verification if significant questions arise concerning the process used to conduct the survey. If the process used to conduct the survey, or the results of the survey, are determined to be suspect or questionable, TSEP may withhold funding and require that the process and results be reviewed by the next Legislature to determine if any grant awarded should be reduced or withdrawn.

INCOME SURVEY

“The total number of all persons in the household (not just wage earners 15 years old and over) is _____.”

“The total number of related children under 18 years in the household is _____.”

Household Income – includes the combined income of all persons 15 years old and over in the household, whether related or not. Taking into consideration this definition and those definitions included on the attached sheet:

“My (our) total household income for 2003 was \$_____.”

.....

REMOVE THIS PORTION OF THE FORM AND SUBMIT SEPARATELY

NAME _____
(Please Print Clearly)

ADDRESS _____

“I certify that the income information I have provided is true and accurate to the best of my knowledge and belief. I agree to provide income verification if requested by state officials.”

SIGNATURE _____
DATE _____

INCOME DEFINITIONS

When determining your income the following types must be taken into consideration:

1. ***Wage or Salary Income***— Includes total money earnings received for work performed as an employee during the calendar year 2003. It includes wages, salary, Armed Forces pay, commissions, tips, piece-rate payments, and cash bonuses, earned before deductions were made for taxes, bonds pensions, union dues, etc.
2. ***Nonfarm Self-Employment Income***— Includes net money income (gross receipts minus expenses) from one's own business, professional enterprise, or partnership. Gross receipts include the value of all goods sold and services rendered. Expenses includes costs of goods purchased, rent, heat, light, power, depreciation charges, wages and salaries paid, business taxes (not personal income taxes).
3. ***Farm Self-Employment Income*** — Includes net money income (gross receipts minus operating expenses) from the operation of a farm by a person on his or her own account, as an owner, renter, or sharecropper. Gross receipts include the value of all products sold, government farm programs, money received from the rental of farm equipment to others, and incidental receipts from the sale of wood, sand, gravel, etc. Operating expenses include cost of feed, fertilizer, seed, and other farming supplies, cash wages paid to farmhands, depreciation charges, cash rent, interest on farm mortgages, farm building repairs, farm taxes (not State and Federal personal income taxes), etc. The value of fuel, food, or other farm products used for family living is not included as part of net income.
4. ***Interest, Dividend, or Net Rental Income*** — Includes interest on savings or bonds, dividends from stockholdings or membership in associations, net income from rental of property to others and receipts from boarders or lodgers, net royalties, and periodic payments from an estate or trust fund.
5. ***Social Security Income*** — Includes Social Security pensions and survivors benefits and permanent disability insurance payments made by the Social Security Administration prior to deductions for medical insurance, and railroad retirement insurance checks from the U.S. Government. Medicare reimbursements are not included.
6. ***Public Assistance Income*** — Includes: (1) supplementary security income payments made by Federal or State welfare agencies to low income persons who are aged (65 years old or over), blind or disabled; (2) aid to families with dependent children, and (3) general assistance. Separate payments received for hospitals or other medical care (vendor payments) are excluded from this item.
7. ***Retirement or Disability Income*** — Includes: (1) retirement pensions and survivor benefits from a former employer, labor union or Federal, State, county, or other governmental agency; (2) disability income from sources such as worker's compensation; companies or unions; Federal, State, or local government; and the U.S. military; (3) periodic

receipts from annuities and insurance; and (4) regular income from IRA and KEOGH plans.

8. ***All Other Income*** —Includes unemployment compensation, Veteran's Administration (VA) payments, alimony and child support, contributions received periodically from persons not living in the household, military family allotments, net gambling winnings, and other kinds of periodic income other than earnings.

Anywhere County Water and Sewer District

Dear Resident:

The District's board members recently discovered that the current Median Household Income (MHI) for Anywhere is \$40,000, which is based on the data collected during the 2000 Census. The MHI is the amount of household income above and below which the household incomes in our community are equally distributed. In other words, there are as many households with incomes above the MHI as there are below the MHI. The MHI is used by the state and federal funding agencies from which we will request grants and loans, to determine the amount of a grant or the interest rate on a loan.

However, the MHI was established by census data collected from not only residences within the District, but also from numerous households outside of the District's boundaries. Many of these homes are expensive and the board members feel that the household income of those families may be considerably higher than the average income in the District. (*An alternative statement might read – As you are aware, the Anywhere lumber mill closed down five years ago and the community has been economically depressed since that time. Many of the families within our community have had their incomes greatly reduced and several families were forced to leave to find work or higher paying jobs.*) As a result, the board members believe that the current or actual MHI is considerably lower than the one reported by the 2000 Census.

Based on the MHI reported by the 2000 Census, the District's monthly user rates would be significantly higher due to the amount of the loan that would be required to complete our proposed improvements to the water treatment plant. However, we have the option to conduct an income survey in order to collect more current income figures and revise our MHI and other income data used by those programs. For this reason you are being asked to provide your household income.

I cannot over emphasize the importance of your providing up to date income information. Without correct information, we will all be paying considerably higher monthly water bills as a result of the proposed project. A return of this survey that approaches 100% will help to avoid that possibility. Therefore, we find it necessary to ask you to complete the enclosed income survey and have it ready for pick-up within two days. An explanation of what constitutes income for the household is also included for your reference.

Once you have completed the enclosed form, separate the top part from the bottom, and put only the top of the form in the enclosed envelope. Both the envelope, and the bottom portion of the form that you signed, should be placed in the locked ballot box when it is picked up.

Please be assured that the information you have provided will be kept confidential. The two portions of the form will be kept separate from each other, so that the individuals tabulating the results will not have access to knowing the income of a specific household.

You can call me at xxx-xxxx if you have any questions.

Sincerely,

Jim Bob, Manager
Anywhere County Water and Sewer District

Anywhere Income Survey Results

March 2004

Survey ID Number	Total Household Income (\$)	Total Number of Persons in Household	Total Number of Related Children Under 18 in Household	Is Income at LMI Level	Is Income at Poverty Level
19	3,042	1	0	Y	Y
3	7,732	1	0	Y	Y
12	9,243	2	1	Y	Y
28	9,900	1	0	Y	N
7	12,100	1	0	Y	N
21	12,106	2	1	Y	N
26	12,996	2	0	Y	N
5	15,682	2	1	Y	N
10	15,836	1	0	N	N
30	17,103	4	2	Y	Y
2	20,000	2	1	N	N
9	20,463	1	0	N	N
29	21,000	1	0	N	N
24	21,870	2	0	N	N
1	22,560	3	2	N	N
14	23,193	5	3	Y	N
13	25,980	2	0	N	N
8	26,436	3	1	N	N
4	26,630	2	0	N	N
27	28,138	1	0	N	N
15	30,546	3	1	N	N
11	32,779	2	1	N	N
6	35,864	3	1	N	N
16	37,442	4	2	N	N
20	41,980	2	0	N	N
22	47,897	3	1	N	N
18	48,243	5	3	N	N
23	51,779	3	1	N	N
25	55,421	4	2	N	N
31	59,578	4	2	N	N
17	61,669	3	1	N	N

Surveys were distributed to 38 households. Thirty-one responses were received back for an 81.6% return rate. The seven surveys not returned were from households distributed throughout Anywhere as is shown on the attached map.

❑ The MHI is based on the 16th highest household income: \$23,193.

❑ Income limits for LMI in XXX County:

<u>1 person</u>	<u>2 person</u>	<u>3 person</u>	<u>4 person</u>	<u>5 person</u>
\$15,300	\$17,500	\$19,650	\$21,850	\$23,200

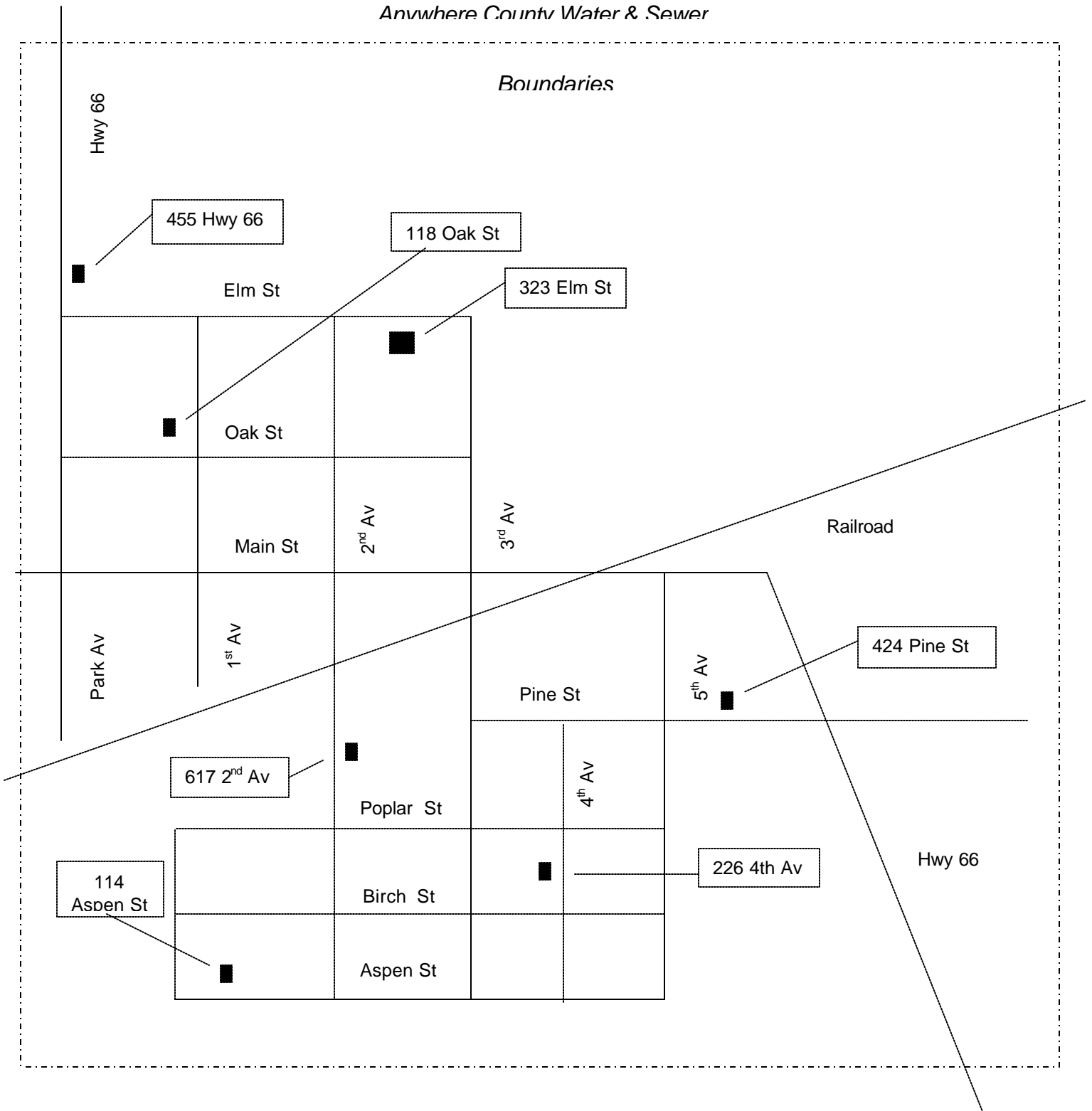
Ten households were at or below the LMI level: 32.3%.

❑ There were four households at or below the Poverty level: 12.9%.

Anywhere, Montana

Anywhere County Water & Sewer

Boundaries



APPENDIX I

COMPONENTS OF A BUSINESS PLAN

All business plan information and financial exhibits will be used for evaluation purposes only and considered confidential, and will not, except as required by law, be provided to any third person, firm, corporation, or public entity without the express written consent of the business.

A business plan can potentially be used in the analysis for scoring Statutory Priority #2 and/or #6. Statutory Priority #2 looks at financial need. A business plan, as described below, is required from the developer of residential property, or from any businesses that would benefit from a purely economic development related project.

In the case of undeveloped land, a detailed proposal must be submitted describing how the land will be developed. If the land will be developed for housing, the number of housing units and the type of housing that will be built is required, along with the expected price range of the housing. If the land will be developed for commercial and industrial use, the number, type and size of the businesses is required, along with the number and type of jobs created. The applicant must describe the timelines involved in the build-out of the development, in addition to addressing how the infrastructure improvements will be financed until build-out occurs. The applicant must also address how the infrastructure improvements would be financed if the land fails to be developed as proposed after the improvements are constructed.

In the case of economic development related projects, the applicant must provide a narrative describing why the businesses to be served could not pay for the infrastructure improvements.

A business plan is also required for Statutory Priority #6 in order to potentially receive the maximum number of points.

In order to evaluate financial need under Statutory Priority #2, each business plan must include all of the elements described below and provide sufficient detail for a complete analysis. In order to evaluate financial need under Statutory Priority #6, the information provided does not need to be in as much detail as described below, however, the business plan must contain sufficient information for the Department to obtain an adequate understanding of the business that will benefit from infrastructure improvements, including the products or services offered, estimated market potential, management experience of principals, current financial position, number of jobs to be returned or created, and other important details of the proposed venture.

Business Description

Include the number of years in business, the form of business organization, a project timetable, a description of the company or enterprise, and an explanation of the products or services offered.

Management

Provide the names, titles, and resumes of each principal to be responsible for the management of the business.

Market

Discuss the present or proposed market area and share, with future projections, and provide an explanation of how the information was developed (for example, market surveys). Document any identified potential markets (for example, contracts, letters, or other evidence of interest in the product(s) by potential buyers or distributors), especially if sales projections show annual increases exceeding 25%.

Financial Exhibits

An applicant that is providing the business plan for the purpose of providing documentation for Statutory Priority #6, need not provide all of the financial exhibits listed below. However, the applicant must provide sufficient financial information about the business to satisfactorily demonstrate that the business has adequately analyzed its potential viability.

The business must be able to show that projected cash flow will be sufficient to cover projected debt service and that a positive net worth can be attained. The projections must include a narrative explanation of how the figures and assumptions were derived with special emphasis on any changes in major assumptions from existing conditions (i.e., changes in cost of goods sold and general administrative expenses as a percentage of sales, or if sales increases exceed 25% annually). **The business plan must include the following financial exhibits:**

❑ **Financial Statements - For an existing business, provide the following financial statements for the three most recent years of operation:**

- ✓ Balance Sheets
- ✓ Profit and Loss Statements
- ✓ Cash Flow Statements

Current financial statements compiled or reviewed by an independent certified public accountant, with full disclosure notes, are required for businesses that have been in operation for more than one complete business fiscal year. In addition to the CPA-prepared year-end financial statements, internally prepared interim financial statements will also be accepted. A responsible officer of the business must sign all financial information. Financial statements must also include a current Aging of Accounts Receivable and Payable. There should not be significant gaps (not more than 90 days) between the historical statements and the projected statements. The projections should use the same fiscal year periods as the historical financial statements.

❑ **Financial Projections - For new businesses and for existing business, provide the following financial projections for three years:**

- ✓ Proforma Balance Sheet
- ✓ Projected Balance Sheets
- ✓ Projected Profit and Loss Statements
- ✓ Projected Cash Flow Statements

Earnings projections must include a projected monthly cash flow analysis for at least one year and until the break-even point is projected to be reached by the business. For a business that

experiences regular or occasional cyclical variations in cash flow, provide a narrative explanation of the reason(s) for the occurrence of the cycles. Also, explain the effect, if any, on the business's ability to meet its debt obligations identified in the existing and projected debt schedules.

❑ **Debt Schedule**

Provide descriptions of all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements. Financial statements should include current maturity's of long term debt and adjusted principal balances. All debt sources must be identified independently and not combined into one long-term debt number on the balance sheet. Principal and interest payments for at least three years should be included for all sources.

❑ **Working Capital Needs**

Provide information on working capital needs and verify through cash flow projections, explaining changes in inventory and receivables.

❑ **Requirements for Business Owners with 20% or more ownership in the proposed project**

Provide personal financial statements and tax returns; personal or corporate income tax returns for all affiliated businesses; personal guarantees; and personal credit check release.

❑ **Hiring and Training Plan**

Provide information on the breakdown of jobs to be created or retained, including the number and type of jobs that are full-time, part-time, skilled, semiskilled, or unskilled positions (provide job titles, descriptions and rates of compensation). For positions involving less than full-time employment, estimate of the number of hours to be worked each week for each position. Estimate of number of positions and the date that job openings will be available. Describe any kind of training that will be provided to the employees and estimated cost. Estimate the number of employees anticipated to be trained. Describe the method of training, how the training will be accomplished and by whom. Estimate the duration of the training period and when the training period is expected to begin and end.

Applicants should include any other information that may be helpful in documenting the economic viability of the project or the need for grant funds.

APPENDIX J

SUGGESTIONS FOR WRITING SUCCESSFUL TSEP APPLICATIONS

1. ***Approach the Application Guidelines Methodically, Step-by-Step.*** Use the guidelines like a checklist. Be sure to complete each requirement, and answer all parts of the statutory priority and sub-criteria. If you feel any requirement, statutory priority, or sub-criteria do not apply to your project, be sure to address each with “N/A” (not applicable).
2. ***Understand the requirements.*** Montana's TSEP Application Guidelines try to clearly explain the basic requirements of the program and the ranking criteria that will be used to score your application. If you have any questions or anything is unclear to you, call the Department of Commerce TSEP staff. Don't wait until the last minute if you have any questions about the Application Guidelines.
3. ***Form a Steering Committee or Task Force.*** While it usually works best to have one person responsible for writing and assembling the application, preparation of a competitive TSEP application is not just a one-person job. After you have determined which requirements will apply, break the tasks into individual assignments. Put together a calendar to make sure you have the time to get all the required tasks done and schedule completion dates for each.
4. ***If you were an unsuccessful applicant previously, make arrangements with Department of Commerce TSEP staff to review the ranking of your application.*** Find out what areas might be improved. What were the differences in the successful applications that caused them to be ranked higher? (You can also borrow copies of successful applications to get ideas on how to prepare a stronger application.) Even if your application received a maximum score on a particular criterion, review your response to see if it can be strengthened further. Because the application ranking process is based on a comparison of those submitted, there is no guarantee that your application will receive the same score that it did the previous year.

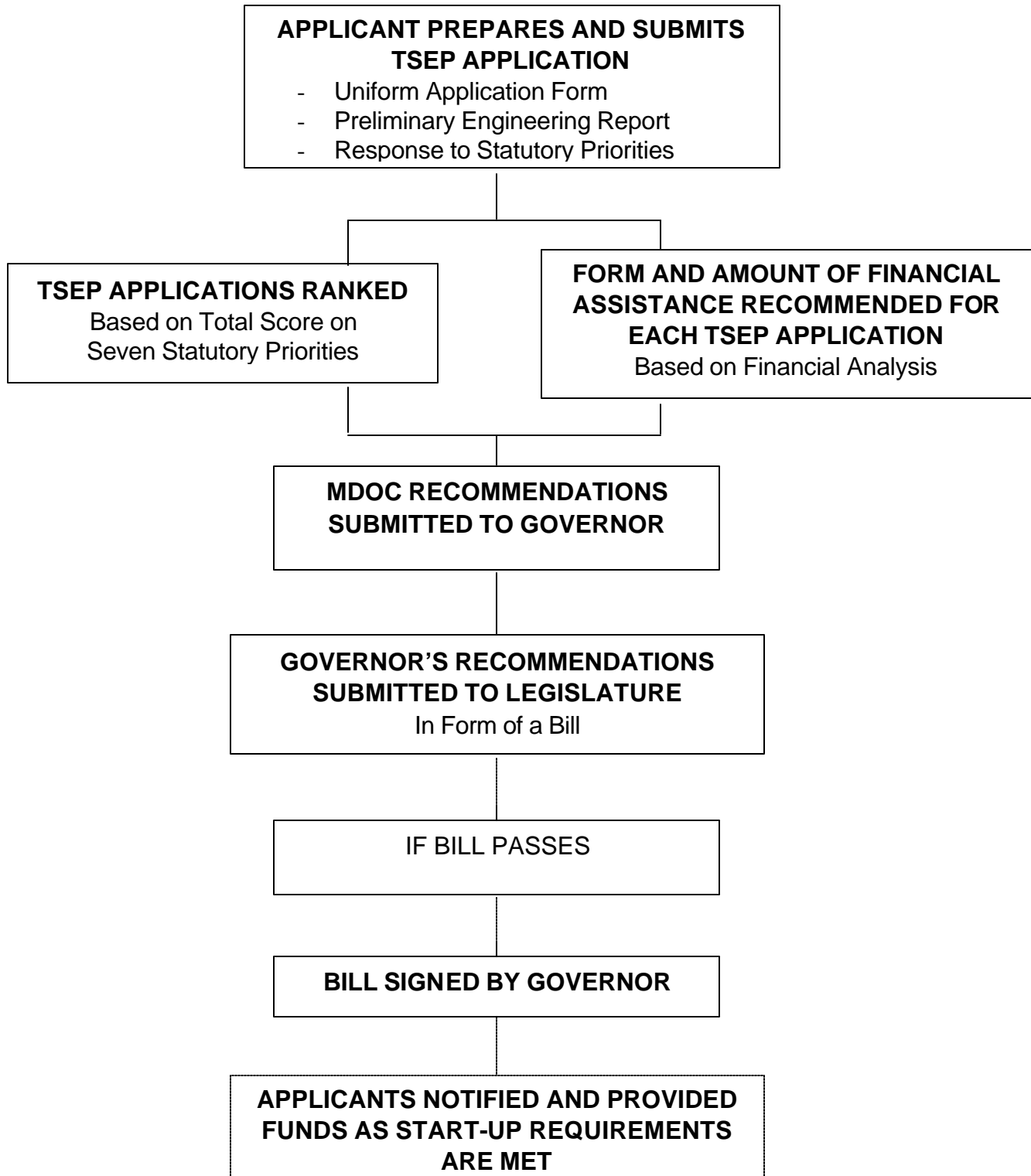
ORGANIZING AND WRITING YOUR APPLICATION

1. ***Be concise and well organized.*** Despite some impressions to the contrary, TSEP applications are not scored by their weight. In fact, excessive length and volume actually can hurt because it wears out the reviewer and makes it more difficult to follow the thread of your proposal through a lot of paper. Make sure that anything you include is really pertinent to making your case and not just filler. The Department of Commerce has a goal of funding good projects, not just good applications; however, a well organized application with a logical progression of ideas and clearly labeled exhibits and appendices make it that much easier to understand the case you are making for your community. Please follow the suggested application format.

2. ***Be complete.*** Your application must speak for itself and anticipate all the likely questions that might be asked. Don't assume that the people who will review your application know your community or your situation. The ranking team will be composed of Department of Commerce staff that may not have detailed knowledge of your community or your situation. Describe the circumstances clearly and thoroughly.
3. ***Include documentation.*** Include documentation in your application to support the information you provide answering the statutory priorities.
4. ***Arrange for review of the draft application before it is submitted.*** Someone other than the grant writer should review a preliminary draft of the application. This could include members of the steering committee or task force referred to on the previous page. They can serve as editors and raise questions or spot gaps or inconsistencies in your arguments that you may not be able to see because you are too involved in the project to be aware of them. Getting others involved can bring in a fresh perspective that may question some of your assumptions or see weaknesses that you cannot.

APPENDIX K

TSEP APPLICATION FLOWCHART



APPENDIX L

SAMPLE RESOLUTION TO AUTHORIZE SUBMISSION OF TSEP APPLICATION

Each application for TSEP funds must be accompanied by a copy of a resolution formally adopted by the applicant and authorizing:

- the submission of the TSEP application in compliance with the TSEP Application Guidelines, and
- the applicant's chief elected official or chief executive officer to act on its behalf in regard to the application and to provide such additional information as may be required.

The resolution must also indicate the governing body's intent to commit to any funding for the project that will be provided by the applicant.

Applicants must have the legal jurisdiction and authority to finance, operate and maintain the proposed facility and, where applicable, must have the demonstrated financial capacity to repay any debt incurred. In all cases, the applicant assumes complete responsibility for proper financial management of the TSEP funds awarded to it and compliance with all State laws and regulations. Pursuant to Section 2-7-504, MCA, all TSEP recipients must be able to demonstrate that their financial management systems meet generally accepted accounting principles before MDOC will disburse TSEP funds for a local project.

See sample resolution on next page.

SAMPLE RESOLUTION

TO AUTHORIZE SUBMISSION OF TSEP APPLICATION

WHEREAS, the (Name of applicant) is applying to the Montana Department of Commerce for financial assistance from the Treasure State Endowment Program (TSEP) to (describe purpose of project);

WHEREAS, the (Name of applicant) has the legal jurisdiction and authority to construct, finance, operate, and maintain (the proposed public facility);

That the (Name of applicant) agrees to comply with all State laws and regulations and the requirements described in the TSEP Application Guidelines dated September 2003;

That the (Name of applicant) commits to provide the amount of matching funds as proposed in the TSEP application; and

That (name of Chief Elected Official or Chief Executive Officer), (title), is authorized to submit this application to the Montana Department of Commerce, on behalf of (Name of applicant), to act on its behalf and to provide such additional information as may be required.

Signed: _____

Name: _____

Title: _____

Date: _____

Attested: _____